PARLIAMENTARY DEBATES

(HANSARD)

SIXTH SERIES—VOLUME 473 (Part 1)

HOUSE OF COMMONS

OFFICIAL REPORT

THIRD SESSION OF THE FIFTY-FOURTH PARLIAMENT
OF THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
FIFTY-SEVENTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SESSION 2007–2008

COMPRISING PERIOD
10 March 2008—20 March 2008

PUBLISHED BY AUTHORITY OF THE HOUSE OF COMMONS
LONDON—THE STATIONERY OFFICE LIMITED

£105
(Two parts not sold separately)

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OFFICIAL REPORT

IN THE THIRD SESSION OF THE FIFTY-FOURTH PARLIAMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
[WHICH OPENED 11 MAY 2005]

FIFTY-SEVENTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SIXTH SERIES — VOLUME 473

SEVENTH VOLUME OF SESSION 2007-2008

House of Commons

Monday 10 March 2008

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

CULTURE, MEDIA AND SPORT

The Secretary of State was asked—

Digital Switchover

1. **Linda Gilroy** (Plymouth, Sutton) (Lab/Co-op): What recent discussions he has had with Digital UK on digital switchover in the south-west. [192283]

The Secretary of State for Culture, Media and Sport (Andy Burnham): I met the chair and the chief executive of Digital UK at a reception of the all-party group on digital TV switchover and I will meet Digital UK regularly to discuss all aspects of digital switchover.

Linda Gilroy: I was pleased to note that Eaga has been appointed to help deliver assistance to those over 75, disabled people and those who are otherwise vulnerable. What plans has my right hon. Friend to help those who fall outside the help scheme?

Andy Burnham: My hon. Friend is right that Eaga has been appointed to run the digital switchover help scheme, which will be available to people aged over 75, those with a severe disability or those who are registered blind or partially sighted. The Eaga partnership will be well known to hon. Members through its work on the Warm Front scheme. Experience from Whitehaven shows that the help people received was rated good or very good, so there is some encouragement. For people outside the scheme, Digital UK has a helpline and website to give advice to everybody who has any questions as we get closer to switchover, which is about a year away in my hon. Friend's region.

Hywel Williams (Caernarfon) (PC): Is the Secretary of State aware that, due to the arrangements for digital switchover, many thousands of my constituents will be unable to access digital radio perhaps until 2015, when the Irish turn off their analogue signal? Has he discussed the matter with the Irish? If not, will he do so and report to the House?

Andy Burnham: Wales is set for digital switchover in the third quarter of next year. I must be honest and say that I was not aware of the issue that the hon. Gentleman raised. I will be glad to discuss it with him further and ascertain whether we can hold discussions with our Irish counterparts to tackle the matters that he brings to my attention.

Mr. Mark Harper (Forest of Dean) (Con): The Secretary of State will know from the experience in Whitehaven, which he mentioned, that only 33 per cent. of those eligible contacted the help scheme. What steps will he take to ensure that, in other areas of the country, older people, for whom television is a necessity not a luxury, can contact the relevant scheme and get the help that they require?

Andy Burnham: Of some 8,600 households who were eligible, approximately 6,400 responses were received, which suggests a good take-up. I accept the hon. Gentleman's challenge that we need to work hard to

ensure that people know about the help that is available. As we get closer to some of the switchover dates, people's questions—and possibly anxieties—will increase, so there is a challenge for Ministers to ensure that people are informed. However, there is also a challenge for local Members of Parliament to ensure that we give timely answers to constituents' questions. I am sure that, if we work in partnership on those matters, we can ensure a smooth switchover, which is in all our interests.

Creative Industries

2. **Mrs. Nadine Dorries** (Mid-Bedfordshire) (Con): What assessment he has made of the contribution of the creative industries to the economy. [192284]

The Minister of State, Department for Culture, Media and Sport (Margaret Hodge): Estimates published in October 2007 indicate that the creative industries accounted for at least 7.3 per cent. of gross value added in 2005, equivalent to £60.8 billion.

Mrs. Dorries: A few weeks ago, the Government announced that they would launch a creative industries strategy. Where exactly is the financial boost to the creative economy that we all expected? After two years, does not the Minister think that the creative industries expect a little more than rehashed ideas and old announcements?

Margaret Hodge: I am sorry that the hon. Lady feels so negative about the strategy that we published, which has been warmly welcomed by most of the people in the sectors that we represent. The strategy is not a one-off attempt to respond to the issues that face the creative industry, but part of a continuing dialogue. Global competition and the fast-changing information technology environment mean that we must continuously revisit the strategy. The 26 practical and pragmatic recommendations in the document are all relevant to the industries and are not old, as she suggests.

Mr. John Whittingdale (Maldon and East Chelmsford) (Con): Does the Minister accept that the success of the creative industries depends heavily on their continuing to be able to benefit from copyright? Will she therefore give the Government's support to Commissioner McCreevy's proposal that the term of copyright protection for performers should be extended, as was unanimously recommended by the Select Committee on Culture, Media and Sport?

Margaret Hodge: Copyright is a key issue across many of the sectors in what we have defined as the creative industries. There are two strategies. One is to do all that we can to protect existing copyright, but equally, all the industries have to think about new business models, which will enable them to prosper in a fast-changing environment, with convergence and all the new methods of communications. That said, we are looking with interest at the proposition that the European Commission has put forward. The hon. Gentleman will know that we have so far been guided by what Govers said in his review, based on evidence. However, we treat such matters with an open mind and look forward to debates in Europe and elsewhere, as we reconsider the evidence that is around.

Mr. Nigel Evans (Ribble Valley) (Con): The creative industries are doing well for Britain, both economically and culturally, and one that does really well for us is our orchestras. The Minister is not going to believe this but she was apparently quoted as attacking one of the greatest British institutions where those orchestras have an opportunity to shine, which is the Proms. I am sure that she is keen and eager to get to the Dispatch Box to put the record straight and back the Proms.

Margaret Hodge: I congratulate the hon. Gentleman on his creativity. I do not expect that he has read what I said in what was a complex argument about the role of our cultural institutions in building British identity. It was not an attack on the Proms, but the way it was portrayed, being trivialised and sensationalised by the media, undermined the debate. I should like to quote, if I may, from what I said:

"But all too often our sectors aren't at their best when embodying common belongings themselves. The audiences for many of our greatest cultural events—I'm thinking in particular of the Proms, but it is true of many others—is still a long way from demonstrating that people from different backgrounds feel at ease in being part of this. I know that this isn't about making every audience"—*[Interruption.]*

If hon. Members listen, I will explain.

"I know that this isn't about making every audience completely representative, but if we claim great things for our sectors in terms of their power to bring people together, then we have a right to expect that they will do whatever they can wherever they can. I know that many organisations have made great strides"—*[Interruption.]*

Mr. Speaker: Order. I think that the rest can go in the Library.

Mr. Mark Field (Cities of London and Westminster) (Con): The Minister understands the importance of the creative industries and I am glad that she has given them a thumbs up. One important aspect of the creative industries is the teaching of media studies, which we debated in the House when she was Minister for Lifelong Learning and Higher Education. Will she ensure that much more rigorous media studies degrees are offered in our universities by doing her little bit to bring together experts from the creative industries to ensure that the curricula are much more robust?

Margaret Hodge: The hon. Gentleman raises an important point. He will know that people who undertake media studies are more likely to get a job than those who undertake many other disciplines studied at university. Nevertheless, it is hugely important to ensure that the content of what is studied meets the needs of people in the industry. One of the propositions in our strategy is that Brighton university should undertake a review to see whether we can build a closer relationship between the contents of the curricula in media studies courses and the needs of employers.

Cultural Olympiad

4. **Mr. Adrian Sanders** (Torbay) (LD): If he will make a statement on the Cultural Olympiad. [192286]

The Secretary of State for Culture, Media and Sport (Andy Burnham): The Cultural Olympiad is a four-year nationwide programme of cultural and artistic events

inspired by the London 2012 Olympic and Paralympic games, including major national flagship events and a UK-wide festival of local events. The London Organising Committee of the Olympic Games and Paralympic Games will announce further details tomorrow about how local groups can get involved in the Cultural Olympiad.

Mr. Sanders: That is a great pity, because I was hoping to get the answer today. One of the problems for local authorities and local communities that are keen to engage is getting the detail. Does the Secretary of State agree that we are talking about a tailor-made enterprise for a part of the visitor economy that wants to put on events to attract more people? If local groups can engage with this festival of events around the nation, that has to be to their benefit.

Andy Burnham: The short answer is: they can. When the details are announced tomorrow, I would expect the hon. Gentleman to be encouraging his local authority to get involved quite quickly and ensure that it can play a full part. I am sure that he will have been as encouraged as I was to see the Torbay leisure centre and Torbay Olympic gymnastics club listed in the guide of facilities last week, which is more good news for him. Seriously, however, all communities can play a full part and can have a piece of the Olympic games, but it is important that people go out there and create that for themselves, rather than expecting things to fall into their laps.

Jeff Ennis (Barnsley, East and Mexborough) (Lab): Does the Secretary of State agree that the British Federation of Brass Bands, which is based in Barnsley—the home of good football—will play a vital role in making a success of the Cultural Olympiad?

Andy Burnham: It absolutely will, and may I say a brief word about Barnsley football club, which demonstrated the true grit and spirit of the FA cup to the whole nation on Saturday evening? I was about to say that we were all cheering the team on, but I do not want to rile any Chelsea supporters. It was a pleasure to watch them triumph.

On brass bands, I am absolutely confident that the rich heritage that my hon. Friend describes—celebrated in the film "Brassed Off"—will play a very important part in our Olympic celebrations.

Sir Patrick Cormack (South Staffordshire) (Con): Will the Secretary of State, without quoting from a speech that, for clarity, would do justice to the Archbishop of Canterbury, unequivocally assure the House that, when we come to the Cultural Olympiad in London, the Proms will have a central part?

Andy Burnham: Of course, I can assure the hon. Gentleman that the Proms will have a role to play, as will all cultural organisations. He will be encouraged, as I am, that we have long said that we want to make an international Shakespeare festival part of our Olympic celebrations. This is a time when all the best bits of our national heritage can be available for the whole world to see, and I absolutely include the Proms in that.

Schools (Culture)

5. **Rosie Cooper** (West Lancashire) (Lab): What contribution the find your talent scheme will make to ensuring that children receive five hours of culture each week. [192287]

The Secretary of State for Culture, Media and Sport (Andy Burnham): The find your talent programme of 10 pilots will trial ways of offering children and young people a range of high quality cultural experiences for five hours a week, in and out of school. We are seeking applications from partnerships across the country. The pilots will give us the information that we need to make decisions about rolling out the offer nationally.

Rosie Cooper: Will my right hon. Friend give the time scale for the pilots and say a little more about them and whether areas such as West Lancashire will be eligible for such schemes?

Andy Burnham: Local partnerships have until 7 April to submit their bids, but we have already received more than 50 expressions of interest in the find your talent programme, which is a tremendous endorsement of the scheme's principles. It is important that in setting up the pilots we ensure that different parts of the country with different characteristics are chosen, so that we can consider how best to make arts activities and cultural activities available to all children in that area. I very much hope that my hon. Friend will work with her local organisations to make such a proposal.

Mr. Jeremy Hunt (South-West Surrey) (Con): I was tempted to ask the Secretary of State whether he thinks that the Proms could count towards to the five hours of culture, but I should like to ask him about a more serious point. Does he think that culture is something that can be quantified and enforced through targets or is there a risk that such a scheme will undermine the essence of culture, which is surely about quality, not about curriculum box ticking?

Andy Burnham: What is important is that this is not about five hours of curriculum time, but about young people having the chance to take part in a range of activities, both within the school day and beyond it. It is absolutely right that we should set the highest possible aspirations in that regard. I was at school in the 1980s, and I remember lots of after-school activity simply drying up, not to be reinstated at that time.

Mr. Hunt: It was a Labour council.

Andy Burnham: It was not Labour councils but a Conservative Government who were responsible at that time.

We should not limit our ambitions about the possibilities that we can put before young people. The worst thing that we could do is be narrow-minded or too downbeat about what we can achieve. Let us aim high and see whether we can give young people the full range of possibilities.

Mr. Brian Jenkins (Tamworth) (Lab): I spent last evening in the Birmingham symphony hall, listening to Staffordshire Sings, where hundreds of young people—180 of them from the Tamworth constituency alone—presented a varied orchestral and choral programme. It was a marvellous event for those young people. Will he take the opportunity to congratulate Staffordshire on what it is doing and see how we can tie that into the find your talent scheme and roll it out across the country?

Andy Burnham: I will certainly take up my hon. Friend's invitation to look further at what Staffordshire is doing. What is important about initiatives such as that mentioned by my hon. Friend is that while some young people who take part will develop an interest and passion for singing that lasts throughout their lives, others, simply by participating, will develop greater self-confidence and better communication skills and feel that they are capable of performing in front of an audience. It does not matter whether people go on to develop a particular talent, because taking part in itself gives young people good life skills that stand them in good stead for the rest of their lives.

Listed Buildings

6. **Mr. Desmond Swayne** (New Forest, West) (Con): What account is taken of recommendations by English Heritage when decisions are taken to list buildings. [192288]

The Minister of State, Department for Culture, Media and Sport (Margaret Hodge): The Secretary of State has a statutory duty to consult English Heritage on listing decisions. Full account is taken of English Heritage's advice and recommendations, together with any other relevant representations that may be made.

Mr. Swayne: I understand that English Heritage made a very strong recommendation that Ibsley control tower should be listed. Given that the Minister is accountable to Parliament, will she give us a detailed explanation of why the Secretary of State chose to overrule that recommendation?

Margaret Hodge: After careful consideration of all the evidence, as the responsible Minister I decided that the building did not have sufficient architectural or historical interest to merit listing.

Bob Russell (Colchester) (LD): Is the Minister aware that there is a serious problem in getting buildings listed as a result of English Heritage being understaffed? Will she look into that and, for starters, see how English Heritage can go into Britain's oldest recorded town, where many buildings are historic, but threatened with demolition?

Margaret Hodge: After a long time in which English Heritage had a flat cash settlement from the Government, we have been able in the latest comprehensive spending review settlement to ensure that it has additional resources over a three-year period. The House will shortly be considering the draft legislation resulting from the heritage protection review and I hope that, in that context, we can have an interesting discussion about the varying roles of English Heritage, the Department and other stakeholders, and the proper processes and funding required to carry them out.

Mr. Stewart Jackson (Peterborough) (Con): Flag Fen, to the east of Peterborough, is one of the finest bronze age sites in Europe, having been discovered literally by accident in 1982. It is presently in receipt of only English Heritage funding—no other Government funding—to the extent that its excavation and exhibition work is under threat. Will the Minister give an undertaking to look further into the level of funding for Flag Fen so that we can preserve this unique site for future generations?

Margaret Hodge: I do not know the details of the particular issues surrounding Flag Fen in the hon. Gentleman's constituency, so I would be extremely grateful if he would write to me with them so that I can consider the matter. English Heritage is one of the organisations with resources available to it to try to ensure that we protect and look after our valuable and wonderful heritage that is such an intrinsic part of Britain today.

School Sport

7. **Ben Chapman** (Wirral, South) (Lab): What steps his Department is taking to encourage participation in sport by girls of school age. [192289]

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Gerry Sutcliffe): Through the joint Department for Culture, Media and Sport and Department for Children, Schools and Families physical exercise and sport strategy for young people, the Government are investing an additional £100 million to offer five hours of high quality PE and sport to all pupils aged five to 16 and three hours for those aged 16 to 19. That will bring our total investment to at least £755 million over the next three years and will enable the provision of further sporting opportunities that recognise and respond to girls' needs and abilities.

Ben Chapman: I welcome the investment in PE and sport during school hours, but does the Minister agree that we also need to provide resources for out of school hours activities? Port Sunlight rugby club in my constituency has used a £10,000 grant from Awards for All to develop a sport against crime initiative, which encourages young people off the streets and into sport, particularly into playing tag rugby, which being a non-contact sport can be played by both sexes. I commend that programme to the Minister and invite him to visit Wirral, South to see for himself the work that the Port Sunlight rugby club is doing.

Mr. Sutcliffe: I am always delighted to visit my hon. Friend's constituency and look forward to doing so, particularly to watch the tag rugby. It is important that rugby is played by girls, and I commend the Rugby Football Union's work on that. I was not being complacent earlier. We need to encourage more women and girls into sport. It is necessary to ensure that they can participate and that we end the appalling drop-out rates of girls and women in sport. I am minded to support the idea of Sue Tibballs, the chief executive of the Women's Sport and Fitness Foundation, to look at setting up a taskforce to see what we can do to widen the participation of women in sport.

Sir Nicholas Winterton (Macclesfield) (Con): The hon. Member for Wirral, South (Ben Chapman) asked an excellent question. Is it not important that the Government and local government give every encouragement to private sporting clubs that encourage young girls to participate in physical sport, such as the Macclesfield rugby union football club, which encourages young girls to take part in touch rugby, which is ideal for young women? Is it not important, too, that we do not allow any school playing field to be sold, because even the playing fields of those schools that are closed could be merged with those of a school next door, so that sport both during school hours and after school hours can be encouraged for boys and girls?

Mr. Sutcliffe: I congratulate the hon. Gentleman on his involvement in trying to ensure that more people become involved in sports, and, in particular, I congratulate Macclesfield on its work. We will address the issue of playing fields shortly, but we have put many safeguards in place to protect them. However, the issue is not just about playing fields; it is about sports provision. Like me, he too may have, over the course of many years, spent cold days on playing fields when it might have been better to play indoors, because more people would have participated. Playing fields are important, but they are not the only issue.

Hugh Robertson (Faversham and Mid-Kent) (Con): One of the most popular sports with girls of school age is, of course, swimming. The Minister will be aware of the controversy over the closure of local authority baths, which are often being replaced by smaller private pools that are less accessible to the general public. The Sport England active places website claims that there are 171 such pools. Over the weekend it was alleged that 51 of them are in independent schools and six are on military bases, so they are hardly accessible to girls of school age. Why did that occur and has the Minister any evidence that it is happening in other sports, and therefore that the entire survey is flawed?

Mr. Sutcliffe: The hon. Gentleman has tabled a number of parliamentary questions that will be answered shortly, giving the detail of the figures that he requests on the breakdown of pools, both public and private. I am sure that if he wants to pursue the matter further, he will do so following that answer. In general terms, however, swimming is vital to us. It is one of the biggest participation sports in which girls and everybody else can get involved. We want to see investment in swimming. I am a bit put out by the campaign run by *The Daily Telegraph*, which I think is inaccurate, and I will be happy to meet *The Daily Telegraph* to talk about it.

Mr. Lindsay Hoyle (Chorley) (Lab): Of course everybody wants to see more girls playing sport, but we have to ensure that they have the ability to go to sporting grounds. Can we also ensure that we encourage them to play more than just football—and besides rugby union, there is a thing called rugby league, which is the great sport of the north—so that more girls play cricket following the success of the England women's cricket team, unlike the men's team?

Mr. Sutcliffe: Again, I congratulate the England women's cricket team on its excellent work and on the agreement reached between it and the federation on being paid appropriately. Perhaps football could learn from that lesson. My hon. Friend is right. We need to widen the sports in which girls participate beyond traditional sports to dance and other activities, while ensuring that they have access to physical recreation.

Gambling Act

8. **Mr. Andrew Robathan** (Blaby) (Con): What assessment he has made of the likely effects on urban regeneration of the establishment of new casinos under the Gambling Act 2005. [192290]

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Gerry Sutcliffe): The independent Casino Advisory Panel was asked to choose a range of areas in need of economic development and regeneration. An assessment of the economic and social impact of the 16 large and small casinos will be carried out three years after the first of the new casinos has begun trading. We expect that the assessment will be completed by 2014.

Mr. Robathan: I should declare an interest in that I gamble and have lost money on many different bets in several different countries, and very occasionally I have won a little bit as well.

Notwithstanding that answer, most people in Britain remain to be convinced of any benefit that building a casino in a disadvantaged area would bring to regeneration. Will the Minister tell me what on earth a Labour Government are doing encouraging gambling, unless it is because of lobbying by companies that make their money out of other people, who may ill be able to afford it, losing money?

Mr. Sutcliffe: I wonder whether one of those bets that the hon. Gentleman placed was on the last Tory party leadership.

Mr. Robathan: It was, actually. The Minister is quite right.

Mr. Sutcliffe: Did the hon. Gentleman win or lose?

Mr. Robathan: I won.

Mr. Sutcliffe: It should be stressed that the casino policy was pursued at the request of local government. The Budd report on gambling was published in 2000, and it was felt that existing legislation affecting casinos should be updated. The policy is well travelled in the House, and I think that it enjoys the support of all parties in the House.

Miss Julie Kirkbride (Bromsgrove) (Con): The Minister will be only too aware of the crisis affecting our seaside resorts and their urgent need for redevelopment funds. Although he was not in his present post at the time of the Gambling Act, can he explain why his party was wrong-headed enough not to follow the example of, for instance, France, which deliberately gave casino licences to its seaside and other resorts in order to improve their attraction to visitors?

Mr. Sutcliffe: I am sure that the hon. Lady will welcome the £45 million that is being invested in seaside towns as we try to find a way of regenerating our coastal resorts. As I have said, the gambling policy relating to casinos is well travelled. We asked the

independent Casino Advisory Panel to examine the options available to us, and it came up with the idea of 16 casinos as well as a large regional casino. We are not proceeding with the large regional casino, but we are going ahead with the other 16.

David Taylor (North-West Leicestershire) (Lab/Co-op): Although there is extensive evidence of the potential economic and social damage caused by regional casinos and no such evidence relating to their poorer cousin the bingo hall, some bingo halls are teetering on the brink of closure, not least because of double taxation. Does the Minister share my hope that the Budget statement will contain an announcement that bingo will be put on the same basis as other similar activities, so that bingo halls can survive and continue to provide the considerable social benefits that they provide in many towns throughout the nation?

Mr. Sutcliffe: The plight of bingo halls is an important issue in all our constituencies, but, as my hon. Friend knows, taxation is a matter for the Chancellor and the Treasury. We look forward to hearing what is said in Wednesday's Budget statement. As my hon. Friend will also know, the DCMS and other Departments have been working with the Bingo Association to establish what else can be done to support the bingo community.

Mr. Tobias Ellwood (Bournemouth, East) (Con): As my hon. Friend the Member for Blaby (Mr. Robathan) said in his declaration of an interest, our perspective on gambling is that it should be treated as a form of entertainment in which one is likely to lose rather than as a form of investment in which one thinks one might win. However, we also think that there should be the right level of legislation, whether it applies to a casino, a bingo hall or an arcade. As has just been illustrated, bingo has been hit heavily by the Gambling Act, as indeed have arcades. Is it not time to support early-day motion 840 and support our arcades, and also to review the use of category B3 machines? We need to stop bingo halls and arcades from closing, thus driving people from a soft to a hard form of gambling in the name of fixed-odds betting terminals.

Mr. Sutcliffe: I think that the hon. Gentleman should be cautious about using the FOBTs argument. As he will know, I have asked the Gambling Commission to consider the impact of high-stake machines and prizes on gambling. I agree that we do not want to do anything that will make problem gambling any worse.

We are looking at bingo halls and amusement arcades, both the "soft" children's sections of arcades and the adult game incentives. We need to get the balance right. We have received representations from the British Amusement Catering Trade Association, to which I shall respond shortly.

Convergence Think Tank

9. **Bill Wiggin** (Leominster) (Con): If he will publish the minutes of the meetings of the convergence think tank; and if he will make a statement. [192291]

The Secretary of State for Culture, Media and Sport (Andy Burnham): The Government intend to publish the proceedings of all the convergence think tank seminars on the dedicated website. Most of the proceedings of the first seminar on 7 February this year will be posted on the website today.

Bill Wiggin: The Secretary of State did not mention the fact that the convergence think tank is costing some £300,000. Given that Ofcom is doing a great deal of the work, is it not a little tactless to spend that kind of money on so few seminars—I believe that one of them is on Arsenal football club—when the portable antiquities scheme and hundreds of other arts organisations are fighting for survival as a result of Government cuts?

Andy Burnham: The hon. Gentleman is scraping the barrel in trying to find a subject on which to launch an attack. This issue is of huge importance to the whole of British society; it is about people's ability in a fully converged digital world to get access to high-quality content. It is important that there is the widest possible debate among the telecommunications, media and other industries on developing a sensible and consensual policy to take us through this changing world. The process mentioned, led jointly with the Department for Business, Enterprise and Regulatory Reform, is a good example of how Government should make policy; listening to the views of industry, working closely with consumer groups and, at the end of the day, coming up with the right answers. The money spent on that process will be well spent.

Andrew Miller (Ellesmere Port and Neston) (Lab): My right hon. Friend will remember that way back in time—in respect of the Broadcasting Act 1996—it was argued, by the technical director of ITV, I think, that convergence had happened and that we were now dealing with a series of subsets of the same technology. That is the case and now, after several years of Ofcom, is it not time to consider looking carefully at the size and shape of the umbrella that we created to produce Ofcom and to determine whether it meets the needs of current developing technologies?

Andy Burnham: In the short time that it has existed, Ofcom has been incredibly successful in establishing an authority and a clear lead on these important issues. The difficult question to answer in terms of the changing communications industry is how we in this House keep pace while ensuring that the legislative environment is not a barrier to the industry's success. That is the line we have to tread. In those circumstances, it is very important that we work with our regulators and industry. That is why we have established this process. A similar process led to the creation of the Communications Act 2003, which has been a success.

S4C

10. **Mr. John Spellar** (Warley) (Lab): How much his Department has paid to S4C in 2007-08; and what his estimate is of the level of such payments in 2008-09. [192293]

The Secretary of State for Culture, Media and Sport (Andy Burnham): The grant in aid payment to S4C in 2007-08 is £92,817,000. The grant in aid estimate for 2008-09 is £98,112,000.

Mr. Spellar: I am trying to work out how to get my congratulations to West Bromwich Albion on reaching the FA cup semi-finals into my question, but I fear that I shall have to confine myself to asking the Secretary of State why, with all the valid demands on his Department's funds, it has spent £0.5 billion over the past six years propping up this television station. Would it not be better to transfer responsibility to the Welsh Assembly so that it can decide and, if it wants to keep it, it can pay for it?

Andy Burnham: Tempted as I am to stray into football matters, I think that I had better answer my right hon. Friend's question directly. As he will know, broadcasting is a reserved matter, which is right as it affects the whole of the United Kingdom. It is important that the traditional strengths of British public service broadcasting be maintained and built upon. Colleagues representing Welsh constituencies might have a different perspective than my right hon. Friend on the issues he has raised. The funding settlement for S4C has worked well and it has worked within the overall British context in which we consider broadcasting.

Topical Questions

T1. [192273] **Mark Pritchard** (The Wrekin) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Culture, Media and Sport (Andy Burnham): Two events this week highlight the vital role culture, media and sport play in the economic and social life of the country. I have just come from the launch of British tourism week. Tourism is incredibly important to people in constituencies up and down the country. We have a fantastic product to sell and a tremendous opportunity in the run-up to the 2012 Olympic games, and I hope that Members of all parties will get out this week and support this important initiative in their constituencies. At the end of the week, there is Sport Relief, an event that shows the unique power of sport to bring communities together and to get people to be active and have fun while raising money for people in need in the UK and in some of the poorest countries in the world. I think that there are a few candidates in this House who could do with getting out and doing a bit of sport and physical activity this weekend.

Mark Pritchard: Although many in this House are looking forward to the Beijing Olympics, why do the Government continue to turn a blind eye to the Chinese regime's human rights abuses, unspeakable animal cruelty and continual repression of religious minorities?

Andy Burnham: My right hon. Friend the Minister for the Olympics rightly pointed out that we negotiated free expression for journalists attending this year's Olympic games and free movement in China. Sport is an incredibly important way of bringing the world together, and we can then discuss and address issues of common concern. The Government raise issues of China's approach to human rights around the world in all our meetings with Chinese counterparts. It would be wrong to confuse such issues with regard to the Olympic games this summer. We have known about the games in China for a long time, and we must work to make them as successful as possible, while using them as an opportunity to raise issues of concern to the whole world.

Geraldine Smith (Morecambe and Lunesdale) (Lab): As we celebrate British tourism week, what can we do to encourage overseas visitors to visit not only London, but our coastal resorts? May we have a marketing campaign aimed at promoting those resorts?

The Minister of State, Department for Culture, Media and Sport (Margaret Hodge): As my hon. Friend knows, because I have met her and some of her constituents to discuss that matter, we are investing £45 million specifically to regenerate some of our coastal resorts that have not adjusted to changing patterns of domestic tourism. I hope that her area will benefit from that. London is a successful destination for many inbound tourists, but I agree that we must see it as a gateway through to the rest of this country's fantastic resorts, countryside, heritage and history. We are doing that, using 2012 as a catalyst. Some 80 per cent. of our tourism income comes from people in Britain, so it is also hugely important to build on that.

Mr. Don Foster (Bath) (LD): Forty per cent. of off-licences recently surveyed were selling alcohol to people who were under age and the Government claim that they will get tough. Will the Secretary of State confirm that, in 2005, the Government said that the Licensing Act 2003 would introduce the forfeiture of a personal licence for under-age sales "at first offence"? If that is the case, why is the Government's new tough action to move to forfeiture not after first offence but after second offence? What does he think of Conservative proposals to move it still further to third offence?

Andy Burnham: In publishing the Government's first review of the 2003 Act last week, I made it clear that there is a mixed picture around the country. Alcohol consumption has decreased in the past couple of years, but we did acknowledge problems, particularly the increase in the number of offences in the early hours of the morning. I do not think that there is any division in the House on sales to children—we all want the full use of the 2003 Act's powers to tackle that. It is right to say that some have used the freedoms that the Act grants but not necessarily all its powers. We sent a clear message last week in publishing our review that licensing authorities should use all the powers available to them and that they should particularly target the sale of alcohol to under-18s. I believe hon. Members on both sides of the House would support that.

T2. [192274] **Chris Bryant** (Rhondda) (Lab): With the Welsh singer Duffy at No. 1 in both the singles and albums chart and the Welsh team having won the triple crown on Saturday and almost certain to win the grand slam this coming Saturday, may I urge the Secretary of State to give a rather more enthusiastic response to my right hon. Friend the Member for Warley (Mr. Spellar)

on S4C? The Secretary of State's predecessor suggested that he was open to the idea of S4C being devolved to the Welsh Assembly, so is it not time that we did that? In addition, will he sponsor me in April's London marathon?

Andy Burnham: My hon. Friend is nothing if not an opportunist. Of course I shall sponsor him, and I wish him well in that endeavour.

My instinct is to preserve what is good about British broadcasting. I do not want to break it down and lose one of its great strengths, which is in bringing the whole country together. It reminds us what is great about this country, and it is right that it is a reserved matter so that we can consider it in the round at UK level. However, I am always ready to listen to representations from my hon. Friend, and I am happy to meet him to discuss the matter further if he wishes.

T3. [192275] **Norman Baker** (Lewes) (LD): The Secretary of State said a moment ago that the Chinese had made a number of promises in order to secure the Olympic games in Beijing. Does he accept that they are not keeping them? They are not keeping their promises about free access for journalists or human rights. What will the Government do to ensure that the Chinese keep their promises rather than simply sign pieces of paper? Does he agree that athletes who want to make objections about human rights abuses should be able to do so?

Andy Burnham: The hon. Gentleman is right that promises were made, and it is incredibly important that they are kept. The Minister for the Olympics has just told me that she regularly raises the matter with the Chinese authorities and that she has also raised the unblocking of the BBC website with them. As we move towards the Olympic games in Beijing, it is important that we continue to make those representations and ensure that promises given are promises kept. I welcome the fact that the hon. Gentleman has raised this important matter. We must ensure that we have a successful Olympic games in Beijing, but also that we raise issues of concern as we approach the games.

T4. [192276] **Mr. Lindsay Hoyle** (Chorley) (Lab): A topical subject for my right hon. Friend is the opening of the Leigh sports village, which is enviable and a great asset for Greater Manchester. What can he do to ensure that funding is available for a sports village in Lancashire? There would be no better place for it to be based than Chorley.

Andy Burnham: I bow to no one other than my hon. Friend in making the case for our local area. If he looks down the M6 at our sports village—

Mr. Hoyle: With envy.

Andy Burnham: It is a tremendous project that embodies how sport can regenerate an area that has had difficult times over the years, and it is a tremendous success. I hear what my hon. Friend says about the efforts to do something similar in Chorley. I think that he has ambitions for Chorley to be used as a base for the Olympics, and I want to work with him on that. The model that we have developed at Leigh can provide an excellent example of how to use sport to regenerate towns such as Chorley.

Mr. Jeremy Hunt (South-West Surrey) (Con): Going back to the Licensing Act, if the problem was the signal that it sent to a minority of binge drinkers, does the Secretary of State agree that the solution is not to punish the majority of responsible drinkers, the 37 million who enjoy an innocent tipple or two? They should not be made to pay the price for the total failure of the Government's alcohol policy.

Andy Burnham: I agreed with the shadow Secretary of State until his last point. He expressed well the fact that a balance must be struck when dealing with problems that arise in an area. As I mentioned a moment ago, the Act provides many powers to do precisely that without penalising the vast majority of people, who want to enjoy a relaxed drink at a time of their choosing. He will have seen in our review last week that on average, opening hours have increased by only 20 minutes. There has not been a huge change in the time at which pubs and clubs close, but the Act has given some people the ability to enjoy a drink later than they previously could. Local licensing authorities should use the powers that they were given if there is clear evidence of a breach of licensing conditions or if public disorder arises from drinking establishments.

T5. [192277] **Bob Russell** (Colchester) (LD): The Secretary of State will know that the elitist snobs who run Arts Council England are spending more money on promoting contemporary Latin American art than on promoting England's traditional, working-class folk dance and song. In view of the Secretary of State's commitment to five hours of culture each week for schoolchildren, will he join me in meeting the English Folk Dance and Song Society to see how much England's traditional folk dance and song can be included in those five hours?

Margaret Hodge: The hon. Gentleman's comments demonstrate why it is so important that politicians do not get involved in determining how the allocation of funding should be distributed between various organisations. That is why the arm's length principle, which has been established for many years, is the best way to ensure that the most excellent of our artistic organisations get the funding that they require. If the hon. Gentleman wishes to meet me on the subject of English folk dancing, I shall be happy to do so.

T6. [192278] **Mr. Laurence Robertson** (Tewkesbury) (Con): The Minister for Sport will be aware that on Friday the Totesport Cheltenham gold cup, which is the highest quality steeplechase in the world of racing, will take place in my constituency. He will also be aware of the concern caused throughout racing by his announcement last week that the Tote would be sold on the open market. The Tote was set up 80 years ago purely to benefit racing. No Government have ever put any money into it. Is it not wrong that the Government should seek to obtain some £400 million from selling the Tote? If Europe is the problem, should not the Government go back to Europe and try to get the classic fudge that is always available? Will the Minister go back to Europe and say that this was about not state aid, but a small administrative change?

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Gerry Sutcliffe): I look forward to joining the hon. Gentleman at Cheltenham this week. He has worked very hard on the Tote and I

listen with great interest to what he has to say. He will know that we have to get the appropriate price for the Tote, but everything is on the table. He will be aware of my statement last week, and we now look forward to discussions with the Tote and anyone else who is interested to ensure that we can benefit racing in some way.

T7. [192279] **Miss Anne McIntosh** (Vale of York) (Con): If the Secretary of State is serious about British tourism week—I hope that he is—will he make representations to the Chancellor of the Exchequer not to put a further tuppence on fuel duty, as that would single-handedly destroy rural tourism in North Yorkshire?

Andy Burnham: Decisions about taxation are, of course, a matter for my right hon. Friend the Chancellor to make in the Budget. He will come to this House later this week with those conclusions. I think that the hon. Lady might be overstating the case somewhat. The British tourism industry has posted some encouraging visitor numbers recently, despite the difficulties that were faced because of foot and mouth disease and last summer's floods. Of course, a lot of issues can impact on our tourism industry and the hon. Lady is right to challenge me and my right hon. Friend the Minister of State to do all we can to support the British tourism industry, particularly as it has faced challenges in recent times. I assure her that I shall continue to do that.

MINISTER FOR THE OLYMPICS

The Minister for the Olympics was asked—

Costs Estimate

1. **Mr. David Evennett** (Bexleyheath and Crayford) (Con): What her most recent estimate is of the costs of the Olympic games 2012; and if she will make a statement. [192303]

The Minister for the Olympics (Tessa Jowell): The cost of the games remains within the overall funding package of £9.325 billion that I announced in March 2007. As the House will no doubt recall, that was confirmed in my written ministerial statement on 10 December 2007, which provided further details of the Olympic Delivery Authority's baseline budget. The overall cost of the main venues remains broadly in line with the bid book that we submitted in support of our bid, taking into account the difference in time between the submission of the bid book and the games and therefore allowing for inflation, VAT and the provision of contingency consistent with industry best practice.

Mr. Evennett: I thank the Minister for that comprehensive answer. However, it was recently revealed that the Department for Culture, Media and Sport is spending an average of £1 million a week on consultants. My constituents are naturally concerned about that figure. Will the Minister assure me and the rest of the House that we are getting value for money from those consultants and that the budget will not spiral any higher because of increasing consultancy fees?

Tessa Jowell: I do not recognise the figure that the hon. Gentleman quotes, but I am happy to write to him on the issue. Certainly, in the early days of the Government Olympic Executive, consultancy was used while the unit's capacity was being established, but recruitment has now delivered high quality staff who have a key responsibility for making sure that the public investment in the games is safeguarded.

Chris Bryant (Rhondda) (Lab): Will my right hon. Friend confirm that a significant amount of money in the Olympics budget is devoted to making sure that volunteers from across the country can come to London and take part in the running of the Olympics? It would surely be unfair if a young person from the Rhondda found it more expensive to help out than a young person from Kensington and Chelsea.

Tessa Jowell: Let me answer that question in two parts. Certainly, the Olympics will act as a catalyst for an enormous increase in voluntary activity right across the country; that is clear. We want to support that and to support communities in doing it, whether through schools, clubs for elderly people or sport clubs. There is also the issue of the 70,000 volunteers that the London Organising Committee of the Olympic Games and Paralympic Games will require for the games. I join my hon. Friend in underlining the importance of recruiting those volunteers from across the country; that is consistent with our message that the Olympics are the UK's games in London.

Hugh Robertson (Faversham and Mid-Kent) (Con): As both a London MP and the Minister for the Olympics, the right hon. Lady is well aware of the current controversy about the closure of local authority swimming baths and the lack of 50 m pools in London; it has much fewer than any other capital in western Europe. Will she confirm to the House today that she will be able to draw on lottery cash when she puts together her plans for the Olympic sporting legacy, and that she intends to put swimming at the centre of that sports legacy?

Tessa Jowell: The hon. Gentleman will know that last week, the schedule of over 600 venues for training camps, approved by international federations, was published by the organising committee. The camps are all over the country, which is a mark of the very high standard of facilities in the UK. On his specific point about swimming, there are risks in making generalised commitments about the retention or otherwise of individual swimming pools. I am sure that he and I share the aim of ensuring that more young people—and indeed people of all ages—take part in swimming. We know that modern facilities and coaching are the best way of attracting people to take up new sports. I do not think that we should necessarily hang our hats on the retention of every swimming pool, but we should continue the drive, which has been so successful since 1997, to refurbish and increase the number of facilities. That is why more children and young people are playing sport.

Mr. Don Foster (Bath) (LD): The Minister rightly says that one of the important reasons why we are expending so much money on the Olympics is to ensure the legacy, and not just deliver the games. However, a far greater amount has now been taken from the lottery

to meet the costs. The amount is equivalent to a £1 million cut in every single right hon. and hon. Member's constituency. That will seriously damage the ability to provide support for grassroots arts, culture and heritage, and to provide the necessary legacy. Will she tell the House what she personally has done to persuade the Chancellor, in his Budget on Thursday—[HON. MEMBERS: "Wednesday!"]—sorry, Mr. Speaker; Wednesday—to change the taxation of the lottery, so that more goes to the Treasury and back to good causes?

Tessa Jowell: The hon. Gentleman knows very well that discussions are under way. At the time of the Payments into the Olympic Lottery Distribution Fund etc. Order 2008, the then Secretary of State for Culture, Media and Sport, my right hon. Friend the Member for Stalybridge and Hyde (James Purnell), made it clear, without pre-empting the outcome, that there was a commitment to looking at gross profits tax as an alternative tax regime. In addition, the new lottery licence is expected to increase the income available for good causes. The hon. Gentleman has been thoroughly briefed on the issue, so he will know about the efforts that were made, successfully, to ensure maximum protection for good causes. I know that, like me, he will recognise that between now and 2012, the Olympics is a legitimate, additional good cause. Nothing will impel young people to take up sport in quite the same way as the Olympics in London in 2012.

Target Shooting Sports

2. **Mr. Henry Bellingham** (North-West Norfolk) (Con): What plans she has to ensure that the 2012 Olympic Games result in a long-term legacy for target shooting sports. [192304]

The Minister for the Olympics (Tessa Jowell): The shooting facilities for the games at Woolwich will be temporary. LOCOG is looking at ways to ensure that the design and construction of the facilities there will be relocatable and therefore reusable. In addition, LOCOG is committed to the distribution of the equipment after the Games. As for Woolwich itself, over the months and years ahead LOCOG and the Olympic Delivery Authority will discuss further with the Royal Artillery barracks, the Home Office and Greenwich council what is practical in terms of legacy at Woolwich after the games.

Mr. Bellingham: I thank the Secretary of State for that answer, but is she aware that the £25 million to be spent at Woolwich will leave no legacy, because those ranges will be dismantled? It is difficult to envisage that they could be transported somewhere else. Why cannot the shooting sports events take place somewhere else? What will she do to help British pistol shooters who want to train for their sport prior to 2012?

[HON. MEMBERS: They will have to go to Switzerland.]

Tessa Jowell: In some cases, yes. However, there has been an enormous write-in campaign on the subject by Members in all parts of the House, and I am aware of the active lobbying that has taken place. The judgments about the suitability of Woolwich were taken by the organising committee, now the governing body, and the international federation and the International Olympic Committee, who made clear their view that if the facilities were more compact—that is, nearer the main park—our bid would be more likely to succeed. There is a not a need for legacy from shooting in the same way as other sports, as there is a world class facility at Bisley. However, to some extent legacy will be provided by the fact that the facilities of Woolwich will be relocated. The decision has been carefully reached and my understanding is that it is broadly supported by those in the shooting federation who had been arguing for an alternative.

Mr. Andrew Love (Edmonton) (Lab/Co-op): The legacy from the Olympics will include a substantial regeneration of a major part of five London local authorities, some of the most deprived areas of the country, in the lower Lea valley. What opportunity has my right hon. Friend had to speak to the Lea valley authority and the local authorities concerned about expanding that regeneration to other parts of the Lea valley?

Tessa Jowell: I thank my hon. Friend for that question. As one of the MPs in one of the constituencies, I pay tribute to the work that he has done to secure regeneration in his constituents' areas. I have had a number of meetings with the local authorities and the Lee Valley Regional Park Authority. As he knows, we are about to launch the consultation on the master plan, already thinking about the governance and the running of the Olympic park and the area around it after the games are over. The Olympic park regeneration will bring about major regeneration, inward investment, a broadcast and media centre one and a half times the size of the Canary wharf tower—

Mr. Speaker: Order. May I stop the Secretary of State? I call Mr. Harper.

Olympic Legacy

3. **Mr. Mark Harper** (Forest of Dean) (Con): If she will make a statement on the legacy of the 2012 Olympic and Paralympic Games. [192305]

The Minister for the Olympics (Tessa Jowell): The question picks up the important point about legacy. The Government's position is clear. The strength of the legacy left by the Olympic games is as important as the quality of the sporting experience and its delivery on time and on budget. The lasting legacy is being developed around five specific ambitions—sport, young people, jobs and skills, sustainability and the regeneration of east London. We will shortly publish the first of the detailed plans indicating how the legacy will be realised across Government.

Mr. Harper: One of the legacies of the Olympics should be a more accessible transport system in London. What assurances has the Minister received from the Secretary of State for Transport that the collapse of Metronet will not delay the development of a more accessible underground beyond the Olympics, which would damage that accessible transport legacy?

Tessa Jowell: All the transport infrastructure will meet the highest standards of accessibility. As the hon. Gentleman knows, between now and 2012 London's transport will benefit from investment of more than £11 billion with Crossrail to follow, which is why it is important that London has a Mayor who understands the importance of transport to the people of Londo

ESTIMATES DAY

[2ND ALLOTTED DAY]

SUPPLEMENTARY ESTIMATES, 2007-08

HM Treasury

Northern Rock and Banking Reform

[Relevant document: Fifth Report from the Treasury Committee, Session 2007-08, HC 56, entitled The run on the Rock.]

Motion made, and Question proposed,

That, for the year ending with 31st March 2008, for expenditure by HM Treasury—

(1) further resources, not exceeding £7,092,000, be authorised for use as set out in HC 366,

(2) a further sum, not exceeding £11,841,000, be granted to Her Majesty out of the Consolidated Fund to meet the costs as so set out, and

(3) limits as so set out be set on appropriations in aid.—*[Alison Seabeck.]*

3.35 pm

John McFall (West Dunbartonshire) (Lab/Co-op): It is a pleasure to open today's debate on Northern Rock and banking reform. The Treasury Committee was quickly off the mark with this investigation. On 20 September, the Governor of the Bank of England and his colleagues came to the Treasury Committee ostensibly to consider a report on inflation, but in particular to discuss the issues surrounding Northern Rock. In the intervening period, we produced two reports, "The run on the Rock" and "Financial Stability and Transparency".

I thank my colleagues on the Committee for their commitment and hard work in producing those two reports in the past few months. The reports are unanimous, and to date they have been well received by Parliament and the outside world. I also want to put on the record my thanks and those of my colleagues for the hard work of the staff and for the leadership of the Clerk of the Committee, Colin Lee. A tremendous amount of work was involved, but the staff stuck to the task. One measure of their success was that the report was out in time for the Government's consultation exercise at the end of January.

The Committee examined what went wrong with Northern Rock and recommended changes in banking law, regulation and practice, with the aim of ensuring no repetition of the Northern Rock saga. My speech has three parts. First, I will present the Treasury Committee analysis of why Northern Rock needed state support in September and how the tripartite authority responded to that. Secondly, I will briefly examine the available information on the extent of state support to Northern Rock. Thirdly, I will consider banking law and regulatory changes, which are reflected in the Treasury Committee report and in the Government's proposals.

Turning to the first item, what went wrong? Undoubtedly, Northern Rock employed a reckless business strategy, and the executives and the non-executives did not live up to their responsibilities.

Andrew Miller (Ellesmere Port and Neston) (Lab): Did my right hon. Friend find any evidence on how the executives reported their actions to the shareholders? Did his Committee identify any weaknesses in communications with shareholders?

John McFall: With regard to the executives, I have mentioned that the business strategy was reckless. The non-executives gave the chief executive, Adam Applegarth, his head, and no company should aspire to that model.

The other aspect of what went wrong with Northern Rock was that it relied on the wholesale markets—in other words, it drank from one well, which was a reckless business strategy. The non-executives should have been asking questions such as, "Why are we doing so well?" In the first six months of 2007, Northern Rock was responsible for 19 per cent. of all new mortgage lending. Both the execs and the non-execs did not address basic questions.

Mr. Alan Beith (Berwick-upon-Tweed) (LD): Many of us are receiving representations from former Northern Rock shareholders who say that the Financial Services Authority's failure to recognise the dangers in that business model ought to be a factor in the consideration of what compensation should be paid to shareholders. What is the right hon. Gentleman's view on that?

John McFall: I do not want to get into pronouncing on the shareholder issue; today, I am focusing on our Committee's report. However, I am coming to the FSA and its failings, so I will take up what the right hon. Gentleman has mentioned.

The FSA failed because early warnings were ignored and there was an inappropriate FSA response. The Committee was concerned about the resources used in supervising Northern Rock, particularly in the light of what we called the "outlier status" of the business model. For a year or two beforehand, there had been murmurings about the type of model that Northern Rock was following. My own opinion is that the FSA gave its best regulators to the large banks and its less well-accomplished ones to the smaller banks and the building societies; it thought that it had to keep its eyes on the big banks and it let the former building societies go. The FSA has learned that lesson; from my personal discussions with FSA officials, I can say that the point has been well taken.

There were also shortcomings in the legal framework. There was no special administrative system, such as that in the United States of America, for failing banks. Furthermore, a legal uncertainty seemed to prevail with regard to the European Union market abuse directive. That issue needs further examination—not only at a UK level, but at a European level.

One basic question that the Committee asked itself was whether Northern Rock was a systemic bank. We concluded that it was. It had grown over the years, certainly since demutualisation, but it was not a huge presence other than in its heartland area of north-east England. In essence, it was systemic because it identified weaknesses within the tripartite system for dealing with failing banks. Depositors could get only £2,000 of their money in full, so when a run started, they were likely not to get the full amount and also

[John McFall]

likely not to get it soon. As the Governor of the Bank of England stated during his appearance before our Committee, once a run had started it was logical for people to queue up for their money. The Northern Rock run was a message to consumers that other banks might be weakened by the crisis and that they, too, could lose deposits. There was a spectre of contagion, and it comprised a systemic risk.

I well remember getting a phone call at home one evening from a constituent who told me that he and his wife had their money in Northern Rock. They had not had much money for most of their married life, but had received some lately and put it all into Northern Rock. He asked me for advice on whether he should take it out; that was a rather awesome task for me. I told him that because the Government were supporting the bank, he should keep it there. However, there was a real concern among people, who took a logical stance, about the future of Northern Rock and of their deposits.

The Committee concluded that the Chancellor was right to authorise the support operation for Northern Rock because of its systemic nature. The Northern Rock failure identified to the public a lack of protection for depositors and further weakened the confidence in which financial institutions were held in the public eye. A run on other banks and a more widespread systemic failure could have been possible.

The Committee also identified a failure of the tripartite authority in respect of the handling of an announcement about the problems of Northern Rock and the support being provided to it by the authorities. The announcement that public funds were being injected into Northern Rock should have reassured the public; perversely, however, it led people to see the bank as fatally injured—hence the run. That was compounded by a lack of speed as regards the support operations announced by the tripartite authority. Everyone was aware that a leak was possible, yet when the decision to proceed with the support operation on Tuesday 11 September was made, it was not to be announced until Monday 17 September—that was far too long a period. In my opinion, no journalist can be blamed for the leak. Rumours were circulating prior to the press statements, and a leak to the press was a matter of when, not if. The Committee concluded:

> "In failing either to make an announcement earlier in the week or to put in place adequate plans for handling press and public interest in the support operation, the Tripartite authorities and the Board of Northern Rock ended up with the worst of both worlds."

That was exacerbated by the failure to prepare for the Government guarantees for the Northern Rock depositors. The Committee says:

> "It is unacceptable, that the terms of the guarantee to depositors had not been agreed in advance in order to allow a timely announcement in the event of an adverse reaction to the Bank of England support facility."

Had such preparations been made, Northern Rock might not have been as weakened by the run as it was.

The second issue is the extent of state support and the accountability for that public commitment. Concerns have been expressed regarding the lack of transparency in the state support appropriate to maintain the bank, given that we are being asked to approve the revised spring supplementary estimate, page 22 of which shows that the first two commitments are there, but with no moneys against them. Public accountability is very important, and those columns should be filled in by the Government, not just left blank. In the initial stages of the crisis, and prior to public ownership, the Treasury incurred contingent liabilities relating to its underwriting of the Bank of England support operation and the guarantees that it offered to Northern Rock—the first two elements in the spring supplementary estimate. I am making a plea for the Treasury to be more forthcoming in reporting such contingent liabilities.

The third and final area to which I wish to refer is banking reform. Banks must be allowed to fail, because market discipline must form the core of banking regulation in the United Kingdom. If the likes of Northern Rock take unacceptable risks and the market turns against them, they should be allowed to go to the wall. The profits from banks cannot be private while the risks of their failure are public. However, that failure must happen in an orderly manner. In the case of a company, the shareholders must be the key losers. Small depositors should not lose out, nor should they lose the banking services needed to operate in our modern economy. Those who are financially excluded in this society are socially excluded, so it is important that they do not lose out.

Mr. Mark Field (Cities of London and Westminster) (Con): The right hon. Gentleman has uttered the usual incantation about not privatising the risks and ensuring that we have the profits in the public sector, but that is not quite the case for a bank, which is a very different kind of organisation. Because of the risk of contagion in the entire banking system, the risk in relation to depositors must ultimately be in the hands of the state, in some form or another, whether through the Bank of England or the Treasury, or in some other way. The depositors need to be looked after, and to that extent there must, if we are to have a working banking system, be some opportunity for intervention to take place. The right hon. Gentleman seems not entirely to recognise that banks are different organisations from the average public or private company that is about to go down.

John McFall: I could devise a great headline for that intervention along the lines of, "State Support Essential for Organisations that Made £40 Billion in Last Fiscal Year". The hon. Gentleman should get real and understand that banks have to operate in the market like everyone else. The depositors, however, need to be protected because they cannot do due diligence with regard to the Royal Bank of Scotland, Barclays, Lloyds or whatever. We all recognise that.

That point leads me on neatly to the depositor protection fund, which is a key way in which small depositors can be assured in times of crisis that their funds are there and can be made available quickly. The Treasury Committee recommended a pre-funded system for that process. The benefits we identified were that it would reassure depositors that their money is there and that they can have it, and prevent banks from being called upon in times of crisis to bail out their insolvent competitors' depositors. On the pre-funded aspect, funds should be allowed to build up in good times so that they are available when things take a turn for the worse.

Why did we recommend pre-funding for banks? It is obviously the case that banks have a responsibility to provide funds that assist in the maintenance of consumer confidence in the industry. We acknowledge that the Government might have to provide funding for the depositor protection scheme in case of a systemic difficulty, but a single bank—this is a lesson for the future—should not require Government support. We must put in place a mechanism to ensure that.

It could be said that this is not the time for banks to pay into such a fund. The hon. Member for Sevenoaks (Mr. Fallon) and myself went to the United States in December—*[Interruption.]* We did so with the approval of the entire Committee, to talk to the Federal Reserve, the Securities and Exchange Commission, the Federal Deposit Insurance Corporation and others, and we took the opportunity to meet the American Bankers Association. I felt that the ABA would disagree fundamentally with us about a pre-funded scheme, but it encouraged us with respect to such a scheme, saying that it was important for consumer confidence. The support of such an organisation, which represents American banks, is a big plus in terms of having a pre-funded scheme.

Mr. Adrian Bailey (West Bromwich, West) (Lab/Co-op): I have listened carefully to what my right hon. Friend is saying, and having read his report, I understand the rationale. However, will he make it clear whether he is referring specifically to the proprietary banking sector, or would he include the mutually based building societies in such a scheme?

John McFall: That is still to be worked out. We are looking at the banking sector at the moment, but the Government's consultation is open on that matter. I suggest that my hon. Friend contributes to that process, because I know that he is interested in the mutual sector. The Committee suggests that the Government provide initial funding through a loan that the banks pay back as they become less constrained. There is a role for Government in the process.

The report, "Financial Stability and Depositor Protection", is out for a consultation exercise, and it is clear that the Government and the Committee agree on a number of issues. The first thing we agree on is the need for a prompt, corrective action system. If such a system were in place, it would prevent a failure in the first place. Secondly, we agree on the need for a bridge bank authority, which would allow failing banks to be taken into public ownership and allow them to be let out of that ownership, as and when it was convenient. That system exists in America, and it works very well.

Mr. Kevan Jones (North Durham) (Lab): Does my right hon. Friend agree that there should be some control or regulation over non-executive directors of banks? In the case of Northern Rock, the chairman's only qualification seemed to be the fact that he was the son of Viscount Ridley. The problems that Northern Rock experienced call into question the role of some of the non-executive directors.

John McFall: The prompt corrective action mechanisms should take care of that. I will not follow my hon. Friend down that lane, other than to say that the Committee recommended that chief executives and chairmen of banks should have professional financial qualifications, which the Northern Rock chairman and chief executive did not have. For the life of me, I cannot understand it, but it caused a bit of a stir in the City. It would be wise for a chief executive or someone who chairs a large company to have appropriate qualifications. The whole Committee made that point.

The communications strategy is another matter on which we agree with the Government. We welcome the Government's commitment to that in the tripartite authority. If there had been a half decent communications strategy in place at the time, perhaps matters would not have worked out as badly as they did. When the announcement of lender of last resort was made, the City and the wider public interpreted it as the financial equivalent of the last rites and evidence that the company was on its death bed, instead of viewing it as the tripartite authority supporting a solvent bank with a good loan book, as the FSA and the Governor of the Bank of England said. The communications strategy was disastrous and the Government and the tripartite authority need to get that right.

Mr. Colin Breed (South-East Cornwall) (LD): Of course, banks are going to be solvent. Their problem, because of liquidity, is making their assets able to pay their deposits quickly enough. All banks that borrow short and lend long face that problem. Does the right hon. Gentleman agree that it is amazing that the FSA paid little if any attention to banks' liquidity?

John McFall: Given that the hon. Gentleman is an esteemed member of my Committee, I must agree with him. We took evidence on that matter—indeed, the Committee went to Sweden to examine the position there. There was a banking crisis in Sweden in 1991 and the state intervened. The Swedes did not suffer the same liquidity crisis as we did recently because they were aware of the problem. It was astounding that we did not plan for that. Neither did we have plans in place for adequate stress testing. The inadequate stress testing was another example of failure on the part of Northern Rock and the FSA. We need to put those mechanisms in place.

Let me consider the Government's consultation. I make a plea to them not to allow the financial firms to dominate the debate. I say that in the light of Professor Buiter's comments to our Committee. He said that the FSA regime could have become a "soft touch" rather than a "light touch" one. I do not hold with that point of view, but I do not want one sector to dominate. We must acknowledge that the banks have an incentive to keep the special resolution regime in the FSA rather than the Bank of England's solution, which the Committee is examining.

The Committee approaches the recommendation from the angle of depoliticisation. Our proposals are intended to ensure that the Chancellor does not need to be involved in many of the decisions about failing banks, except when taxpayers' money is at stake. The Government suggestion of a Cobra-style system may mean too much political involvement. In 1997, there were laudable reasons for moving the Bank of England and the FSA away from the Treasury. As regulators, they need to act in the overall best interests of markets and consumers, not politicians.

[John McFall]

The Treasury Committee therefore disagrees with the Government about where the powers should reside. We believe that the new powers should reside not with the FSA but with the person who takes up the new post of head of financial stability and deputy governor of the Bank of England, and I shall outline the reasons for that. There is a need for creative tension and grit in the system. I remind hon. Members that the deputy governor in charge of financial stability was on holiday in France for a week in August when the financial turbulence occurred. That does not say much for application.

Secondly, when asked, "Did you do your job?" every one of the tripartite authority members who came before our Committee replied, "Handsomely." But if they all did their job so handsomely, how did we end up in the biggest financial mess since 1880-odd? That is the question that perplexed the Committee. When we asked the Governor of the Bank of England who was in charge, he said, "Well, can you define 'in charge'?" That indicated a real lack of leadership. If we do not get some grit into the system, we could find ourselves in the same situation again.

Some people will say that that would include overlap. Perhaps there will be overlap; but I would suggest that the tension created could be more beneficial than detrimental. Giving the FSA too much power emphasises the conflicts, but there is already a conflict. The FSA is in charge of prudential regulation, yet it is meant to support consumer interests. That is a conflict of interest. Added to that is the fact that the FSA has a role as regulator, yet also needs to find a private sector solution and oversee the special resolution regime. That is a bit like a surgeon who tells the people he is about to operate on that he has a part-time job as an undertaker, saying, "If the operation doesn't go well, we'll look after you well after that." Let us look into those conflicts of interest and see whether we can get them sorted out.

John Thurso (Caithness, Sutherland and Easter Ross) (LD): Does the right hon. Gentleman agree that one of the main lacunae, which he has just identified, was the lack of practice, among the three members of the tripartite authority, of working together on what we identified in the report as war-gaming? Does he agree that if that had taken place, some of the grit that he would like to see might have been identified?

John McFall: I agree with the hon. Gentleman entirely. Again, he is a member of the Committee and contributed greatly to the report. There were no war games taking place. Back in 1997, when the system was established, perhaps it was suggested that it would work because there were four individuals involved: the Governor of the Bank, Eddie George—Lord George—and his deputy, Howard Davies, and the permanent secretary at the Treasury, Terry Burns, and his deputy, Steve Robson. They all knew one other, and might have thought, "If anything goes wrong in the system, we'll be able to sort it out, because Eddie knows Terry, who knows whoever else." However, when the players change, the system must be robust, but if was not robust, so war games are an essential element in ensuring that it becomes so.

Mr. John Redwood (Wokingham) (Con): When the right hon. Gentleman's Committee looked into the matter, did it come to any conclusion about what fair figures should go into the estimates for the actual costs incurred so far, for the contingent guarantees and for the cash costs of the advances, as it would help this debate very much if we had some figures?

John McFall: That certainly would help the debate, but the Treasury Committee does not have inside information. All of us on the Committee have realised that if we overstretch ourselves, we can make fools of ourselves. We have not overstretched ourselves; therefore our report has been well received. I do not want to get into crystal ball gazing; what I am asking is for the Ministers on the Front Bench to fill in the blanks and to fill them in soon. Then we can have a decent debate on the issue.

To get back to my point about the overlap, some might say, "This is going against the efficiency in regulation over recent times," but perhaps there is a push back from that. I remember being most impressed during my visit to Washington by the role of the Federal Reserve. There is overlap in regulation there, and we would not want to replicate that in this country. However, once the Federal Reserve has its eyes on something, people perk up and start to listen. One of the tragedies of the situation is that both the FSA and the Bank of England sent out messages to the financial community with their financial stability reports about possible problems in liquidity, but nobody took them on, because there was no mechanism for feedback. In our latter report on financial stability and transparency, the Committee said that those warnings needed to heeded at board level and that a message needed to go back to the FSA or the Bank from the board level saying, "We have looked at the situation." So I hope that that step is taken rather quickly.

On the efficiency in the market, perhaps we have been overwhelmed by the benign economic conditions and there has been too much complacency in financial institutions to prepare for the bad times, as well as the good times; and the war games and other aspects relate to that. The Government have also said that the Bank of England will have a statutory responsibility, and the Government reforms call for the Bank to have that for reasons of financial stability. I suggest to the Government that that is all well and good, but what instruments are at their disposal to meet that statutory responsibility?

We need to fill in the individual responsibilities of the authorities, so that they stick to their mandates and so that, with the special resolution regime, we do not get into situations such as the one that we got into with Northern Rock. All that needs to be filled in, because future Treasury Committees could face problems in the financial markets and ask future Governors of the Bank of England why they did not fulfil their duty to protect financial stability, and I do not want them to be told, "Well, it's because Parliament did not give us adequate powers to achieve it, and the FSA did not listen to us when we asked for action." That is what the recommendations of our Committee are about.

This unanimous report has been well received, and it has cross-party support. The Treasury Committee was the first to the line when the crisis blew up. We have engaged the public in providing a detailed understanding of what went on, and I should like to find from today's

debate that that detailed understanding is translated into a detailed prescription, so that we never again have a run on a bank, as we had with Northern Rock.

4.6 pm

Mr. Michael Fallon (Sevenoaks) (Con): I will not follow the Chairman of the Treasury Committee, the right hon. Member for West Dunbartonshire (John McFall), in a detailed analysis of what went wrong after the events at Northern Rock, although I want to add my tribute to the way that he led the inquiry and drove us forward to produce a report that has been warmly received, not just on both sides of the House but more widely in the City and beyond.

The debate today is timely. We are in a financial banking crisis, and I do not think that we are near the end of it. We see a loss of confidence in commercial banking, the freezing of the bond markets and, perhaps still to come, the probable unravelling of the carry trade. I start from the position that there is probably no financial crisis that the Government or politicians cannot, if they try, make worse. We should be extremely wary of every temptation to try, not least because not all but some previous regulations certainly contributed to our present discontents.

Basel I drove the search for yield off balance sheets. The Sarbanes-Oxley Act drove the search for yield across the Atlantic, fired up the City and all our financial services sectors and perhaps made every British building society consider itself the next Morgan Stanley. Some aspects of Basel II may well be unhelpful in binding the extremely conflicted credit rating agencies into the regulatory structure. The answer may not necessarily be instant, knee-jerk regulation.

It is just worth looking at the Government's consultation paper. It comprises 29 proposals for new legislation, 11 different rule changes for the Financial Services Authority to consult on and a further 23 significant operational changes to the ways in which banks operate—plus a whole load of other stuff, dealing with Scottish and Irish banknotes or the composition of the Court of the Bank of England, which may not directly help us to unfreeze the bond markets but seems simply to have been stuck in there.

Of course, we have to deal with the failure of Northern Rock. Why did it fail? Who failed? The answer is that they all failed: senior management made mistakes and the non-executive directors failed to check them; the regulator failed to supervise the firm and the tripartite committee failed to keep it out of trouble; and the Chancellor at several key points failed to act promptly and decisively. Even so, I am wary of wholesale legislative reform.

The first general point—and our Chairman, the right hon. Member for West Dunbartonshire made it—is that regulators must do their job. The FSA did not do its job, as the report makes clear. Of 3,000 staff, only three were directly employed in looking at Northern Rock—the only significant UK bank without a London office. The ARROW—Advanced, Risk-Responsive Operating FrameWork—process, under which Northern Rock was supervised, was conducted once every three years; and the chairman and chief executive lacked any formal banking qualification. We should recall that this was one of the fastest growing UK banks.

Like the Chairman of the Treasury Committee, I do not necessarily think that we ought to be impressed by the need for tidiness. When we asked the tripartite committee how its members did their job, we found that, as the right hon. Gentleman said, they all liaised and consulted and all did their little bits. Some degree of regulatory overlap would be useful and, so far as the larger banks are concerned, I would like the Bank of England to be given some overlapping power, like the Federal Reserve, to go anywhere, see anybody and ask any questions.

Secondly, there are obvious gaps that need to be filled—for example, the special resolution procedure, where risk is systemic, and an easily understood compensation scheme for depositors. Those should have been put in place years ago; indeed, the Governor wanted them put in place years ago, and it is for the Government of the day to explain why they were not.

Thirdly, it is clear to me at the end of this inquiry that the Bank of England should be at the centre of all this. Of course I accept that the Chancellor has to authorise in the last resort the expenditure or commitment of public funds, but I believe that he should do so on the Bank's advice and that the role of the Bank should be paramount. It is the Bank that should have overall supervision of liquidity; it is the Bank that keeps day-to-day watch on the money markets; it is the Bank that should have working knowledge of the bigger banks' operations. That is why I would like to see the Bank of England with its authority restored as a properly independent central bank, not simply the interest rate-setting arm of the Treasury. In the end, it is the Governor—not the Chancellor and not the chairman of the FSA—who should be the ultimate guardian of our financial system. That is why our report proposes new ways to strengthen the Bank's role.

Beyond that, there is plenty for the FSA to be getting on with to raise its game: greater emphasis on liquidity management, more transparency and much more rigorous stress testing, as has already been suggested. We may need to look much harder at the whole issue of external validation. It would be fair to say that the Select Committee was unimpressed with the role of the credit rating agencies, which seemed to us hopelessly conflicted. One credit rating agency had taken over £3 million in fees from Northern Rock alone.

We also looked hard at the role of the auditors. I do not understand how auditors can give a full, fair and firm opinion but exclude any treatment of the off-balance-sheet vehicles. I find it troubling that Northern Rock's auditor earned nearly three times as much in non-audit fees—in consultancy fees—for arranging the securitisation of Northern Rock's off-balance-sheet vehicles, as it did for the audit, which of course excluded them. I find that troubling.

I conclude by raising two wider but related issues. The first is what we mean by financial stability and the systemic risk to it, and the second is the extent to which we can still regard banks as market institutions rather than public utilities. When I posed the first question on Second Reading of the emergency legislation a few weeks ago, I did not get an answer. I think that we need one, however, so let me put it a different way. In the 1970s, the Soviet Union had financial stability and Hong Kong probably did not, but I know which market we would probably all prefer to invest in. Financial

[Mr. Michael Fallon]

stability is something we all say we are in favour of. In Juvenal's great phrase, "Laudatur et alget"—it is praised, but cold-shouldered. We say we want it, but we certainly are not content with it. We do not expect our bank to deliver it. We do not expect our pension fund to deliver simply stability. We do not expect our investment manager to deliver stability. We expect them, on the contrary, to search continually for better yield in this era of low inflation—to achieve higher than average rates of return, even as inflation disappears globally.

Indeed, if something then goes wrong with that search for yield, we do not restrain ourselves from trying to establish, as we heard from the Liberal Democrats, an attempt to prove regulatory failure. If we do not get the yield we expect—if something goes wrong and our investment seems to sink—our constituents will try to secure regulatory failure and then demand a form of compensation. That is why we have to be extremely careful about the concept of financial stability and how we define systemic risk to it, otherwise, there is no bank, no building society and no investment that can be allowed to fail if enough of our voters are committed to it. At the end of all this, I would prefer a definition of exactly which financial institutions are systemically important. I would like that defined, perhaps by the Bank of England in its financial stability report, but certainly by an authority independent of Government, not by shifting political calculations and emergency meetings of Ministers, so that it is clear to everybody which financial institutions cannot be allowed to fail and which ones still can.

The second related question is, what are banks today? Was Northern Rock, for example, really a bank? It had remarkably few depositors. It seemed to me much more of a finance house—a rather poor Tyneside imitation of Morgan Stanley—borrowing money from around the world and betting on future movements of interest rates. To what extent are all our banks and building societies really market institutions? Are they instead public utilities, still dependent on implicit public subsidies when they fail?

John Thurso: I am following the hon. Gentleman's argument closely. Does he agree that the critical factor is the depositors? If the depositors and the need to protect them are taken out of the equation, we arrive at something that one could probably allow to fail.

Mr. Fallon: That is certainly one way of defining it. Very big UK banks may be in the system which, for other clearing and operational reasons, one would not want to see fail. However, I think the hon. Gentleman agrees that we must have a clearer definition of what systemic risk actually is.

Mr. Andrew Love (Edmonton) (Lab/Co-op): Is not the problem with defining which banks can and cannot fail that we are giving an implicit Government guarantee and therefore creating an unlevel playing field which those that do not have that guaranteee will complain about?

Mr. Fallon: They certainly will, but one starts from a position that includes the very large, major UK banks and works outward from there. I do not envisage the risk to be very large. What needs to be clear is that the House would be prepared to see the vast majority of banks and almost all building societies fail provided, of course, that the depositors were properly protected; otherwise, we will not have a market financial system at all.

Let us not forget that banks have been extremely profitable in recent years. Some of the British banks are world-class players. They have been extremely profitable for UK plc and for their shareholders, but they have also been profitable—very profitable—for their senior managers. That profitability, and some of the vast salaries involved, may now need to be priced a little more realistically. I should like the capital and liquidity requirements laid down for those banks to be readdressed. The House must never again be put in the position of suddenly having to commit more than £100 billion of public money.

There are lessons from Northern Rock. There are lessons for the regulator that failed in its duty, for the tripartite arrangement that could not deal with the consequences, and for the Government who fatally dithered; but, ultimately, there are lessons for us all.

4.20 pm

Frank Dobson (Holborn and St. Pancras) (Lab): It is important for us not to confine our thoughts about the future regulation of the British banking industry to an attempt to ensure that a crisis such as that at Northern Rock does not recur. There are more fundamental problems affecting the industry, along with its opposite numbers in Wall street and other financial centres.

It has been notable in recent times that the representatives of the British banking industry, whether appearing on television or radio or contributing to articles in newspapers—backed up by their supporters' club consisting of most of the financial commentators—have been making very gloomy predictions about the economy, about profits, about jobs, about growth, and about the likely impact on taxation in this country. They say that it is all being caused by the credit crunch, but scarcely ever go on to acknowledge that they themselves are solely responsible for the credit crunch— the banking crisis that we face. Their usual targets when things go wrong are public sector pay, trade union militancy, alleged failures in public services, the national minimum wage, which they say will cripple the British economy, and part-time workers seeking security of employment, who will apparently ruin the economy. However, not even the failure of Northern Rock will damage the British economy in anything like the way the banks are damaging it.

The credit crunch—the financial crisis, the banking crisis, the international banking crisis—was caused because United States financial institutions lost fortunes on what, after things all went wrong, they started to call "sub-prime mortgages", or, in plain English, "lending money to people who could not pay it back", which has generally been frowned on by bankers in the past. Having lost their money, the banks packaged up the loans in new financial instruments with the wondrous title "collateralised debt obligations" and sold them on to a collection of mugs hitherto known as "international bankers".

CDOs are rather like pre-prepared and pre-packaged supermarket salads, with different assets all chopped up and mingled together, but these packages contained very few genuine assets. The remaining elements were worthless, or rather worse than worthless: they were liabilities. A CDO was a bit like a pre-packaged Caesar salad in which there is one anchovy and all the rest is lettuce, apart from the fact that the package containing the salad is transparent. There was nothing transparent about the CDOs; however, they were sold on as top-quality and bought by idiots as top-quality, and the credit rating agencies invariably gave them triple-A ratings. They were risk-free. The banks bought them out of recklessness or stupidity, or perhaps they were deceived, but what is more likely is that they suffered from the worst form of deception—self-deception—and it is they who have got us into this mess.

Mr. Kevan Jones: On top of that, does my right hon. Friend agree that it is scandalous that most of the people who were arranging the various financial packages also took huge commissions?

Frank Dobson: They took huge commissions and in the case of some of the American banks when they lost, let us say, $15 billion or $20 billion the chief executive was asked to leave but was given $20 million to help him on his way, so there was in fact no punishment within the system, but there was a reward for grotesque failure.

Mr. George Mudie (Leeds, East) (Lab): My right hon. Friend assigns motives to the banks, but he has missed out one of them: greed. Does he not agree that the basis on which they bought these securities was that someone would be prepared to pay them more than they paid, so it was about simple greed? They were not interested in what was in the security. Instead, they were interested in only one thing: can I sell it on—or, in other words, can I pass the parcel and make a lot of money before the music stops?

Frank Dobson: I entirely agree, and I think the hon. Member for Sevenoaks (Mr. Fallon) made the same point in slightly different terms. It is clear that people were behaving like a collection of greedy lemmings. The problem with that is that it is not only they who go over the cliff; does everybody else. If I may mix my metaphors, the lemmings who go over the cliff have a $20 million parachute, but the rest of us go crashing down to the bottom without the benefit of anything to cushion us.

I do not accept the point the hon. Member for Sevenoaks made in comparing Northern Rock unfavourably with Morgan Stanley, however. Has Morgan Stanley done a good job in this situation, as it has lost $9 billion on sub-prime mortgages? By many standards, the people running Morgan Stanley were just as stupid, ignorant and greedy as those running Northern Rock.

Another problem is that no one knows what the real exposure is of any of the American banks that committed the original stupidity or the people who then stupidly bought up the liabilities thinking—apparently—that they were assets. Consequently, banks are now frightened to lend to, or borrow from, each other because they fear default as they do not know the extent of one another's exposure.

Over the past couple of months, however, we have not been hearing from the paid representatives of the banking industry about this fundamental problem that threatens people all over the world. Instead, they appear on television shows to say, "Oh, wouldn't it be horrid if we forced non-dom rich foreigners actually to pay some tax?" or "Oh, don't make people who disguise their income as capital gains actually pay anything like a fair share of tax." Those two issues, both to do with personal taxation, have been a godsend to the bankers because they have used them to distract everyone's attention from the fundamental problems they have dragged us all into.

The banks have failed the global economy, the credit rating agencies fell down on the job and the monoline insurers failed in their job, so we now have the credit crunch. Sadly, the banking industry is not paying the price of its own failure. If people in other industries now lose jobs as a result of the credit crunch, it will be the fault of the banking industry—of the overpaid and greedy people who were running it worldwide.

Mr. Greg Hands (Hammersmith and Fulham) (Con): I have been listening to the right hon. Gentleman's tale of woe. May I make a few corrections? First, collateralised debt obligations and collateralised mortgage obligations have been around for 30-odd years. Secondly, they have allowed a huge number of home owners in the United States to have their own home for the first time—such people possibly would not have even dreamed of that 30 or 40 years ago—through the ability to transfer risk. The issue is not the quality of the product or the characters involved in that industry, but the pricing of the products in recent years and the extent to which the activity occurred. That is a fundamentally different question.

Frank Dobson: The hon. Gentleman has not changed the terms of the discussion one jot by that statement. The banks got it wrong and dropped every single one of us in it. It is a tale of woe, because some people will lose their jobs and have their homes repossessed as a result of what has gone wrong, and the banks should take responsibility for it. If the Chancellor has to raise taxes in his Budget on Wednesday, it will be the fault of the banks that messed up the British economy—[HON. MEMBERS: "Oh, come on."] Of course it will. Even the people who write in the financial pages say that the credit crunch will lead to problems for the Chancellor in raising the taxes he needs to provide public services.

That is why what happens to banking regulation is not just a matter for the banks or the political wing of the banking industry known as the Tory party. The issue affects everybody, and this time everybody must have their say about what goes on. The regulations must be in place in future to protect everybody, not just a charmed circle in the City. We cannot leave the debate about the future regulation of the banking industry to the failures who are running it now. Interestingly, they are exactly the sort of the people who talk about keeping the state out and not wanting the state to interfere. Apparently it is only the British state that they do not like, because some of them are going cap in hand to the Chinese communist state and its sovereign wealth funds, to the Singapore state or the Dubai state. No one in this country has ever been consulted on whether it is a good idea that major considerations

[Frank Dobson]

about this country's future banking policy should be affected by the interests of foreign Governments. Generally speaking, even the Tory party has been against that sort of thing, but it is what is happening.

We should not rush into a new regulatory system, because we need carefully to examine how we regulate the banking system. As my right hon. Friend the Member for West Dunbartonshire (John McFall) pointed out, we must have a system in which banks are allowed to fail. The basis of the competitive capitalist system is that people who get it wrong lose out and go down the pan. Our system is that when someone who produces useful IT equipment, builds ships or runs a road transport system gets it wrong they go broke and lose their job, but when someone in banking does the same they do not go broke and do not lose their job, and when someone at the top of the industry loses their job, they get a huge pay off thank you very much. We need a system that allows banks to fail, apart from in respect of depositors. We do not want a system containing 1 million loopholes—that is what this House, for at least the past 30 years, has managed to create in relation to banking regulations.

In a mostly excellent speech in the Northern Rock debate, the right hon. Member for Hitchin and Harpenden (Mr. Lilley) said:

> "No Spanish banks have any of the problems"—[*Official Report*, 19 February 2008; Vol. 472, c. 206.]

That is because Spanish banking law—not an old Spanish custom that appears to prevail in the City of London, but the new Spanish banking law—will not allow banks not to consolidate off-balance-sheet debt. Spain's new law requires that all debts and obligations be consolidated, recorded and transparent. Lo and behold, the Spanish did not get substantially involved in mad mortgages in the United States.

I gather from the *Financial Times* that the Spanish law has another merit. It has a counter-cyclical arrangement designed to ensure that banks' capital and lending capacity is not reduced during an economic downturn, and that excessive credit is not made available during an upswing. We might discuss what financial stability is, but by and large it is a sound idea for the economy as a whole. It seems that the Spanish system has been fairly sound, which might be why the socialist Government have been re-elected with a bigger share of the vote and more members of Parliament.

There might be better methods than those used in Spain, but certain aspects of the Spanish system might be of benefit if they were applied here. We certainly need to do better than we have in the past, and we need more effective regulation. What has gone wrong affects every family in the land. We hear a lot about choice, whether it is the parental choice of schools or patients' choice of hospitals, but nobody has had any choice in this case. The banks have lumbered us all with this problem. None of us volunteered for it: the banks created it, and they need to be constrained and restrained if the interests of people in this country are to be protected.

We have a choice in the next few months. We can either rein in the banks so that they are never again allowed to drop us in it, or we can allow them to bring about the financial ruin of all sorts of people, companies and neighbourhoods. That is our choice—we either do it properly and get it right, or we let things stagger on. If we listen to the representatives of the banking industry, staggering on and feathering their own nest will still be their theme.

4.37 pm

Dr. Vincent Cable (Twickenham) (LD): I start by congratulating the Chairman of the Select Committee, the right hon. Member for West Dunbartonshire (John McFall), and his colleagues on producing a timely and substantial piece of work. Perhaps most remarkably, given the wide dispersal of political views on the Committee, they reached a consensus while being hard-hitting. That was a substantial outcome.

Rather than go back over who said what to whom when, and who was to blame, it might be useful to be more forward-looking. I shall first ask some of the questions that I do not think the Select Committee asked, and that it certainly did not answer. I shall then turn to the policy implications of its conclusions.

There were two important sets of questions on which the Select Committee did not focus properly. The first was the nature of the assets of the bank that we have taken over. The major theme of the Committee's criticism, which was right as far as it went, was that the bank's managers and directors made one massive mistake: over-relying on international wholesale markets. The Committee stated that the Financial Services Authority was negligent in failing either to pick that up or, if it did pick it up, to do anything about it. That criticism is fair. However, the Committee largely seems to have taken at face value the assumption that the bank's assets were basically sound. In paragraph 13 of "The run on the Rock", the Committee approvingly cites a quotation from Mr. Sants, stating that Northern Rock had had

> "high quality assets—there is no suggestion here that this is an organisation taking on poor quality assets".

Northern Rock also got a glowing testimonial from the Governor of the Bank of England, who is quoted at some length. Among other things, he said:

> "What I would say about Northern Rock...is that most of the staff that worked...on the lending side, all the evidence shows, did an excellent job in appraising the loans that they were making, and that they monitored very carefully and did not lend money to people who should not be borrowing from them. The lending side was handled extremely well."

The issue is left there.

I wonder how that came to be accepted. I have worried about this from the outset of the Northern Rock affair. The worry centres on the so-called Together mortgages, which are one of the main products of the bank. We know that there are 200,000 of those out of 900,000, which is a big chunk. Those mortgages varied, but the basic principle was that they were well over 100 per cent. of the value of the property—they were usually something like 125 per cent. It seems that the bank was lending a fairly conventional 95 per cent. mortgage to its borrowers and adding on a 30 per cent. unsecured loan, which was typically £25,000. A lot of that happened when the housing market was at its peak last year.

I wonder how that could possibly have happened. The Governor of the Bank of England and the chief

regulator concluded that this was straightforward and uncomplicated and that the assets were perfectly sound. That does not ring true. The Select Committee pointed out that managers were asked to undertake a stress test to see what would happen if house prices fell by 40 per cent. and concluded that the bank was safe and would have survived. I cannot understand how it could possibly have passed that test. Nothing we know about the bank leads us to believe that it would have survived that test, but it has become written into the orthodoxy that it was perfectly sound and secure.

Mr. Kevan Jones: Is it not correct that there are two separate items in the mortgage book? There are traditional long-term mortgages, and I know from once applying for a Northern Rock mortgage that they are very difficult to get. There was also the activity described by the hon. Gentleman. His point was backed up by my constituents who worked in the Sunderland processing centre; in the last 12 months, mortgages were being given without any reference to payslips or anything else simply to get the market share up, which was Mr. Applegarth's key thing to boost the share price.

Dr. Cable: The hon. Gentleman makes exactly my point, but he has developed it in a very helpful way.

Mr. Redwood: The way that some might look at it is that what matters is the person's ability to pay the interest and to repay the capital. As long as they do not lose their jobs or mess up their family budgets, it will be quite possible for them to service those debts and repay them even if house prices have fallen. I understand the hon. Gentleman's point that it is not helpful because the security is undermined if there is a big reduction in the market value of properties. In such conditions, it is more likely that people will lose their jobs, but 40 per cent. of the mortgages will not go wrong just because house prices have fallen by 40 per cent.

Dr. Cable: That is a helpful correction. However, the point in answer to both the right hon. Member for Wokingham (Mr. Redwood) and the hon. Member for North Durham (Mr. Jones) is that we now know that over the past few months the Northern Rock management has refused to accept any individual voluntary arrangements. Northern Rock is the only bank that has refused to do that. It is clearly worried about the security of the people who have been lent to. There have been complaints from the Insolvency Service that that is bad practice and against policy. Northern Rock is the only bank that is taking that extremely aggressive approach towards the people who have borrowed from it, as it is worried about conditions such as those described by the right hon. Member for Wokingham.

We also know that whenever borrowers have got into any kind of difficulty—for example, when they have failed to make one month's mortgage payment—the bank has immediately come in to get a first charge on the property. That behaviour is much more aggressive than that of any other bank around, so why is it doing that? There is clearly a lot of worry in the bank about the quality of its assets.

The question then arises of what happened to all those mortgages. The answer is that we do not know. They may have been dealt with entirely separately, as the hon. Member for North Durham said. One possibility is that they were bundled together and sold, through the Granite vehicle, on the market. A more likely possibility that follows on from what the hon. Gentleman said is that the mortgages were separated, with the good, traditional mortgages being sold off through Granite—sold through intermediation into markets—and all the unsecured loans being left behind in Northern Rock, which is now a nationalised bank. If that is what happened, the outcome is worrying. It has been worrying all along, both when Northern Rock was nationalised and when it was not, but that is what we are left with.

I have been trying to secure a proper, independent audit, as have hon. Members from different parties. Clearly, the FSA failed in that task. We need to get a proper understanding of how good the assets really are. The honest answer is that we do not know. I hope that the Select Committee goes further into the issue in future.

Mr. Mark Field: I agree with much of the hon. Gentleman's careful analysis. He made the point that ultimately we do not know the quality of the asset book, but he suggested that the fact that Northern Rock was being very aggressive in relation to arrears was somehow a reflection of poor security. It may actually be a reflection of good market practice; it may be ensuring that it protects its interests. That may reflect well on its approach for the future—a subject that I am sure he will come to later in his speech.

Dr. Cable: It may well do so, and as we now own Northern Rock, it may be protecting the taxpayer by taking that approach. None the less, an awful lot of people in distressed situations are being treated far more harshly by the bank than other borrowers. We simply have to take note of that. The hon. Gentleman is quite right: we do not know the answers, and I hope that the Select Committee will go further into the subject.

There is another set of questions to which we still do not really know the answer. They are about the Granite vehicle. As many hon. Members will remember, the issue surfaced in the last stages of debate on the Banking (Special Provisions) Bill. The Select Committee refers to the issue in its report, and it obviously heard evidence on the subject, but there are big outstanding questions about what is really going on and how Granite will operate in future.

My first major group of questions is: what are the circumstances in which the Granite vehicle will have to be topped up in future with new mortgages from Northern Rock bank? How will that happen? What mortgages will go into it, and what is the scale envisaged? How will that affect the nationalised company that we have acquired? The other question that I have is: in the documentation relating to Granite, what is meant by the "pass-through event"? I have no idea what the phrase means, but it refers to circumstances in which Granite is effectively closed down and has to pack up. Presumably, in those circumstances, the bondholders lose their money and a complicated set of legal and financial processes are

[Dr. Cable]

engaged. I hope that in its future work, the Select Committee will help us to understand the issue, because the Government have not been very enlightening and the Select Committee does not say much on the subject.

Those are two sets of questions that we ought to pursue further. Then there are the policy issues that arise from the Select Committee's work. The Committee is rightly damning about the FSA, but I am left asking, "What does it mean for the future of the FSA and the way in which it carries out regulation?" If it has been excessively indulgent in supervising the bank, what will it do in future if it sees banks behaving in a rather high-risk way? Is it supposed to intervene to stop them immediately? Is it supposed to issue a formal instruction, such as, "You must stop lending"? Is it supposed to have a quiet word in the ear? In future, will much more explicit, complex, prescriptive rules be applied to banks through the regulator, as the hon. Member for Sevenoaks (Mr. Fallon) suggested, and will we have a much more regulated system? If the system were much more regulated, what would it mean for the concept of banking as we have traditionally known it? Banking would then become much more like supplying electricity and water; very tightly controlled conditions would apply. That raises the question of what the banking system is for—something that the right hon. Member for Holborn and St. Pancras (Frank Dobson) mentioned. It is fine to criticise the FSA and its failures of regulation, but I am still not clear what the implications of doing so are for the way in which the FSA operates in future.

The second set of recommendations by the Select Committee, and probably the most important, relate to deposit protection. There is general agreement that there must be proper deposit protection, that the American model in general is the best available, that it must be, in practice, 100 per cent. protection up to a limited sum—£50,000 seems about right—and that that is the direction in which we will proceed. I have one worry about that, which was not dealt with by the Select Committee; that is, what happens to competing institutions, such as insurers, who do not have the same quality of compensation? They are competing with banks in many respects. There is the outstanding problem of Equitable Life, whose investors were just as exposed as investors in Northern Rock and who have not been compensated and presumably will not be. Why should one set of financial institutions have a fundamentally different type of compensation mechanism from others?

Mr. Hands: The hon. Gentleman referred to the US style of deposit insurance enacted by the Federal Deposit Insurance Corporation, which was mentioned earlier. Is he aware that the system in the United States is not exactly parallel, and that in the States there are still more than 1,000 deposit-taking institutions? Some of those are very small, and the concept of deposit insurance may be far more relevant—for example, at the Montana state bank—than it would be at Lloyds in the UK. The hon. Gentleman is comparing apples and oranges. There is a case for deposit protection, but the US example is not quite all it is made out to be.

Dr. Cable: If the banking industry in this country develops in the way that it could develop and as some of us feel it ought to develop, which means becoming much more competitive and having a much wider range of deposit-taking institutions, the models would become closer and the analogy would be more directly applicable.

Mr. Hands: In the States, the movement is more in the opposite direction. As banking consolidation happens in the States, more and more people are questioning the need for the FDIC to be there for very large institutions.

Dr. Cable: No doubt we could continue this conversation all afternoon. The one conclusion that we drew from the events of last year is that if there is no such structure, the old system of compensation was not adequate, partly because it did not cover 100 per cent. but more particularly because it was not timely—the payouts were not rapid enough. That is the lesson that was learned, and my understanding of it is that the American system is much better in that respect. Clearly, there are differences and we should be careful about blindly copying that system, but I am trying to make the more general point, reinforcing the views of the Select Committee.

Mr. Redwood: If the problem of compensation can be resolved or the answer improved, one of the options to look at is what the Department of Trade and Industry, as it then was, used to do with insurance companies when it was the insurance regulator. If it felt that an insurance company was over-trading or not liquid enough, it would stop it writing all new business and put the company into run-off, which meant that the assets and the liabilities both had to be managed in the interests of all the counterparties to try and salvage as much as possible.

Dr. Cable: We are talking about slightly different things. Is not the purpose of deposit protection to prevent a panic run on the industry? That is what it is designed to achieve. The right hon. Gentleman is right in saying that if the institution itself gets into difficulties, there are various ways of handling it, including closure. I entirely understand his point.

The third set of questions that arise from the conclusions of the Select Committee are about how banks should be regulated in the broadest sense of liquidity. There was an interesting passage in "The run on the Rock" which I had not understood previously, about what happened when the Northern Rock bank managers discovered that they had excess capital—that they had over-complied with the capital adequacy requirements. As I understand it, they simply blew it on a big payout to their shareholders.

That raises the question what those capital adequacy ratios are for. Common sense suggests that in a boom period, as those bank managers were, with a massive expansion of lending and a booming housing market, the requirement should have been tightened rather than relaxed. Similarly, a period like the present, when the market is going down, should be the point at which it was relaxed. I ask, and I do not know the answer, whether it is possible to design a system that is counter-cyclical, and whether that is compatible with the rules of the European Union, under whose auspices these institutions now operate. That is the kind of mechanism we should consider.

Albeit from different standpoints, the right hon. Member for Holborn and St. Pancras and the hon. Member for Sevenoaks have both asked what banks are for in the new world and what they should look like. Mr. Don Cruickshank raised those questions seven or eight years ago, when he pointed to the apparent anomaly that the industry is ultimately underwritten by the state but makes well above average profits in terms of the rate of return on its capital over a long period of time, which, from his point of view, is unacceptable.

There are two ways to resolve that situation. The first is to treat the banks as utilities by making them highly regulated and highly controlled. That would directly or indirectly control their profits, which is what the right hon. Member for Holborn and St. Pancras wants. The alternative is to say that provided deposits are protected, the banks should compete and the industry should be treated like any other. I am more sympathetic to the latter approach, but getting there will be difficult. We need a clear understanding and commitment from the Government and the Financial Services Authority about which of those two models they are going for, because simply adding a new layer of regulation to the existing system will not help.

Frank Dobson: I understand the hon. Gentleman's point, but it assumes that if banks were allowed to go broke, subject to looking after the depositors, they would behave differently without further regulation of their activities. I am not confident that that is the case in view of the number of apparently reputable banks that have lost a fortune either directly or indirectly in the sub-prime mortgage scandal in the United States.

Dr. Cable: If some of the banks were to go bust, lessons would be learned. Historically, banks, like any other set of companies, have short memories, so the pattern returns after a generation. However, I take the right hon. Gentleman's point.

4.57 pm

Mr. Charles Clarke (Norwich, South) (Lab): I am delighted to contribute to this discussion as the Member of Parliament for Norwich, South, where 25 per cent. of my constituents work in financial services. I must also point out that the headquarters of Virgin Money, which was directly involved, is in my constituency.

I begin by paying tribute to the report, which is first class. In particular, I pay tribute to my right hon. Friend the Member for West Dunbartonshire (John McFall). The Committee has done an outstanding job on both the principal report and "Financial Stability and Transparency" by clarifying the issues, which will hopefully enable us to avoid problems in the future.

The main reason why I want to contribute to the debate is to support the banking reforms proposed by the Select Committee in paragraphs 314 to 317, which deal with the role of the proposed deputy governor and head of financial stability. I support that role, which is the right way forward. Before I discuss those reforms, however, I want to discuss one or two other specific aspects of the report.

On moral hazard, the report describes the controversy among senior people in the world of financial services about the extent to which moral hazard should or should not be taken into account and dealt with. I am nearer to the view expressed by the Governor of the Bank of England, even given all the proposals, that moral hazard is a real factor. That relates to our earlier debate about the responsibility of shareholders and of businesses for business practices. The right hon. Member for Holborn and St. Pancras (Frank Dobson) and the hon. Member for Twickenham (Dr. Cable) discussed the responsibility of considering mortgages in terms of the sub-prime issues. It would be a serious mistake to relax the regulatory obligation, and indeed the competitive obligation, on financial services businesses to be responsible in their practices, and we should have mechanisms to make that clear.

As the report indicates, there are failings in the existing system. The responsibility of the institutions to their shareholders is not at all clearly set out, and many shareholders are simply ignorant of the business practices that were there. But fundamentally, despite the real sadness for many small shareholders who owned shares side by side with major hedge funds, the report's comments on financial stability and transparency indicate the range of issues and the importance of companies taking responsibility for their own acts.

I accept the report's recommendations about the need to protect depositors better; a number of other contributors to this debate have referred to that. At the beginning of all this, there was insufficient clarity about the importance of protecting the depositor in contrast to the importance of the role of the shareholder. That is an important distinction that the report brings out well, but it was not brought out so well during the public debates at that time.

That brings me to my second point, which is about the role and effectiveness of the Financial Services Authority. I do not have a great deal to add to what the Treasury Committee Chairman said, except to emphasise the point that it is the key role of the FSA to offer proper judgments in matters such as this, rather than simply going through process and procedure. The report mentions two aspects—that of the rapid expansion of the business and that of the declining share price of the company. They should have made the FSA judge more carefully what was happening in the organisation. The hon. Member for Twickenham referred to the quality of assets in relation to such issues. The FSA has learned lessons from this whole debacle, but the fact is that it should not have needed to learn them from a debacle. The lessons should have been learned before.

Thirdly, I want to comment on what the report calls

"the support operation and stopping the run"

and on the ability to plan to deal with such crises. It is clear that the tripartite system did not work as it should have. Paragraph 280, on the overall operation of the tripartite system, and paragraph 289, which is about the communications system in particular, are powerful and, to an extent, damning. I hope that the Government will deal with them fully in their final response to the issues.

Essentially, there is a serious criticism of the preparation and work that were done. I hope that the contrast that I draw will not seem too extreme: my experience as Home Secretary in the period of the 7/7 disaster—the explosions in central London. Whatever the causes and circumstances at that point, tremendous, fully prepared emergency

[Mr. Charles Clarke]

service co-operation immediately came into operation, as I and the current Chancellor saw from close by. That co-operation involved the taking of responsibility and a clarity of command and control issues that was impressive to see.

I shall give an illustration from the communications side. Some hon. Members may recall that early in the afternoon on that 7 July, there was a major press briefing in which all the services spoke together to the country. They said, "This is what we are doing and this is how we are dealing with the circumstances." The key point, shown so well when contrasted with the run on the bank, is that the people themselves were players in the events as they emerged. It is critical to communicate effectively with people. The report has drawn that point out well. As I said, there are serious points in paragraphs 280 and 289. It is important that the Government give a lot of attention to those in their response; I am, by the way, absolutely sure that they will.

My fourth and main point is about the section of the report entitled "Dealing with failing banks", which addresses some of the criticisms made by the hon. Member for Twickenham. The section says that the FSA has to find a way of dealing with issues of the type that we are discussing and change its practices and procedures. The section tries to address those issues. It makes a whole string of proposals in respect of an improved legal framework and procedures. I broadly support those, and the Government have already constructively responded to them to try to find the right solution to the problems.

The section also deals with the question of the European Union market abuses directive, which I found confusing at the beginning when evidence was given to the Committee but which is now fully explained in its report. I want to add the rider that in the modern era it is almost impossible to try to run covert operations in relation to this area. One can see why that was how it worked as recently as 20 or 30 years ago, with the tradition of the Governor of the Bank summoning all the players into a quiet room somewhere in the square mile and saying, "We're going to sort it out like this, this and this." However, predicating a system on the operation of such a covert system is very difficult to achieve, irrespective of the detailed formulation in the market abuses directive or in other legislation, and the Committee was right to acknowledge that.

I particularly want to reiterate the point made by the Chairman of the Select Committee when he called for leadership in these matters. If the command and control systems are to be got right as between the various aspects of the tripartite system, if the preparations are to be got right, and if there is to be an authority that means that financial institutions, Government agencies and so on will operate in a co-ordinated way, that requires leadership and authority that people accept, and no ambiguity of any kind about where the buck stops in such a situation. That is why the Treasury Committee is right to recommend, as it does in paragraphs 314 to 317, the establishment of a new post of deputy governor and head of financial stability.

There can be arguments about how that is carried through in detail, what is precisely the right way to do it, and whether the Committee has got it right in every aspect of those paragraphs; I do not commit myself to the specific detail on each point. However, there should not be argument about the need for an individual who is responsible for taking decisions in this field—someone who is publicly known to be responsible and to whom people, including the Chancellor and Prime Minister, will naturally turn for advice in these situations.

I mean no disrespect to the FSA in saying that I fear that if the FSA is chosen as that vehicle, the individual concerned will not have the authority that would go with the role of a deputy governor of the Bank of England. I know that it is a difficult question and that there are plenty of arguments to the opposite effect. However—I have talked to the Chairman of the Select Committee about this—the reason why I was keen to speak in this debate was that I wanted to lend my support to the Committee's proposals. In such circumstances, when we are dealing with potential crises that can be deeply destructive of this country's economy and political structure, we need clarity, and that is what it recommends.

On the overall position, although I was personally extremely sceptical about the possibility of a private sector solution to these events as they emerged, I am sure that it was right to look, even briefly, such solutions. Nevertheless, I have been of the view from the very beginning that public ownership and rundown was the best strategy, and I am concerned that leaving the key question—"rundown or going concern?"—as an open matter will make it more difficult to resolve the situation than in other circumstances. The principle of a level playing field for all financial services institutions guarded by the institutions of the state, the law, EU law and so on is very important for all the people who have investments in a wide range of financial services institutions. There must be no question of one particular financial services institution being picked out for public sector support in contrast to others. That is a controversial point, but I think that it is what will, and should, ultimately emerge out of this state of affairs, and it is where we need to go in future.

I look forward to the Government's response to this excellent report. I hope that the Select Committee will continue to give attention to these matters and will consider one or two of the questions raised earlier in the debate.

5.8 pm

Mr. Mark Field (Cities of London and Westminster) (Con): This has been a very interesting debate. My hon. Friend the Member for Sevenoaks (Mr. Fallon) was absolutely right to identify the need to avoid at all costs the knee-jerk reaction of rapid regulation that might unravel and be regretted in future. That was implicit in the Treasury Committee's report.

The right hon. Member for Norwich, South (Mr. Clarke) made a very interesting contribution, drawing a parallel with the events of 7/7, when he was Home Secretary. It would be difficult to have the clear command structure among people in financial services that there was for the armed and emergency services on

that day. It is a little idealistic to assume that we could put such a structure into place, however it worked. The Select Committee and the Treasury will continue to debate the issue.

There have been more spectacular banking crises than the one that affected Northern Rock in recent months. The phenomenon of a run on a bank was, after all, almost commonplace in Victorian times. More recently, the collapses of Bank of Credit and Commerce International in 1991, and of Barings only 13 years ago, show that even a highly regulated banking sector is never immune to mismanagement or to fraudulent activity. The fiasco of Northern Rock is a modern-day, sorry catalogue of poor judgment and woeful indecision.

I agree with relatively little of what the right hon. Member for Holborn and St. Pancras (Frank Dobson) said about the City, but some elements of his comments were right. Certain enormous incentives for the banking industry have allowed some of the problems that have emerged in the credit crisis to come into play. It is not for the Government to regulate on the matter entirely, and the right hon. Gentleman recognised that implicitly, but some perverse incentives in the banking industry have contributed in bringing us to this pass.

Some have been keen to point the finger of blame entirely at the actions—or inactions—of the Treasury and especially at the erstwhile Chancellor of the Exchequer. In truth, responsibility for what happened at Northern Rock should be more widely spread. First and foremost—it was absolutely right that the right hon. Member for West Dunbartonshire (John McFall) referred to this—the senior management of the Bank, in particular its former chief executive, and the array of non-executive directors bear some responsibility. Collectively, they should have realised that the aggressive growth in Northern Rock's turnover strategy depended on continued economic blue skies and liquidity in the money markets. Northern Rock's strategy was so diametrically opposed to those of its competitors that alarm bells should have been ringing about its sustainability among the well-remunerated non-executives—a roster that included some well-known City names.

Once the credit crunch hit in early August, the Bank of England should have been far more fleet of foot. Reference has been made to the role of the Financial Services Authority, but I believe that the Bank of England was at fault to a certain extent, particularly with regard to its amenability or otherwise to Lloyds TSB's proposal to take over Northern Rock before the public became aware of the nature of the crisis. That would, no doubt, have required substantial Treasury guarantees, but UK taxpayers would almost certainly have been in a more favourable position than the one in which they find themselves now, several months on.

One of the biggest, longer term casualties of the whole affair will be the Governor of the Bank of England, who has played an important part in overseeing this debacle. His credibility in the City has been severely damaged, and it is difficult to see how he would be the right man to lead any restructuring of the Bank of England, which is my party's preferred approach.

This episode, coupled with the rapid internationalisation of the ownership of financial institutions in the City, puts into perspective some of the harking back to the pre-1997 arrangements. The City is a club no more and the Bank of England's role as judge and jury is probably best confined to the past. Meanwhile, as a number of hon. Members have pointed out, the Financial Services Authority lacks clout and respect among leading City institutions, meaning that banking reform should be informed by 21st century requirements, rather than by a return to some bygone era.

We must remember, however, that the difficulties for Northern Rock did not start last September—they only became public in that month. Once the crisis was out in the open, queues began to develop outside branches of the bank. At that stage, the possibility of an autumn general election, and the fact that the bank was a large, almost iconic employer in Labour's north-eastern heartlands, resulted in a catalogue of ill-advised Treasury decisions. To a large extent, this crisis was driven by political considerations, which has not been helpful. I accept that simply allowing Northern Rock to collapse was never an option. As the right hon. Member for West Dunbartonshire said, banks are different from other companies in that they have depositors as well as shareholders. Although the value of a shareholder's investment can, in principle, be allowed to diminish to zero, the entire competence of the banking system depends on banks' depositors being assured that they will be compensated—in my view, fully—in the event of a collapse.

The Financial Secretary to the Treasury (Jane Kennedy): I know that the hon. Gentleman genuinely and firmly holds his view about politically inspired decisions. I would like to understand his point, which I do not think that he makes flippantly, but it would be interesting to know which decisions he thought were wrong and politically inspired.

Frank Dobson: And whether they were supported by the Tory party. *[Laughter.]*

Madam Deputy Speaker (Sylvia Heal): Order.

Mr. Field: I shall try to make this a solo rather than a duet.

It is fair to say that, when the crisis emerged—I admit, that it informed some Conservative policies, too—we were in the cauldron of a likely pre-election campaign. Consequently, we went down another path when we might have moved more quickly to nationalisation, which, many people realised by November and December, was definitely on the cards. I have some sympathy for the Government's position. They wanted to look for a private sector buyer and perhaps they looked for too long. There was also an implicit recognition that, when we had come to such a pass, things would not get better and were, indeed, likely to get worse. However, in those few weeks in September, decisions were driven by a political agenda. I am not necessarily being naive; a political agenda has its part to play at any time, but let us bear in mind the potential imminence of an election and the fact that the building society had great strength and roots in the north-east of England—perhaps if it had been in the south-east of England, there might have been less of a rush towards Government activity.

Mr. Mudie: Is not that a bit unfair? The institution was not simply a northern bank but a bank with queues outside the door, and there was a genuine fear that other badly placed banks would be caught up in the contagion. That made the Government take action. The decision was nothing to do with northern heartlands; systemic risk brought it about.

Mr. Field: There is some fairness in that, and I discussed systemic risk earlier. The agenda of a 24/7 media makes things difficult. The media got hold of the problem with floods not when they occurred in Hull and Sheffield but when they affected holiday homes in the Cotswolds. Suddenly, floods were a massive national issue in a way they might not have been previously. That reflects the media timetable.

Mr. Bailey: What decisions by the FSA, the Treasury or the Bank of England were influenced by political considerations?

Mr. Field: The hon. Member for West Bromwich, West (Mr. Bailey) must be proud of his football team's success at the weekend, although there is a heavy match against Portsmouth in the FA cup semi-final to come. *[Interruption.]* I am trying to show that I have some knowledge of culture, media and sport, if not necessarily of Treasury affairs. However, I have tried to make the point that there was feverish activity in September and October, when, without the perceived imminence of a general election, more long-term decision making might have occurred.

Mr. Philip Dunne (Ludlow) (Con): I am grateful to my hon. Friend for allowing me to offer him a suggestion. The decision not to advance a lender of last resort facility to the one credible private sector bidder that made overtures about acquiring the bank in August and up to the first week of September could be described as a political decision by the Chancellor.

Mr. Field: That is fair to say about one of the Chancellor's many minor decisions.

The "temporary" nationalisation of Northern Rock has been forced on the Government as an implicit recognition that, economically, things are likely to get worse in this country before they get better. No one should assume that uncertainty in the financial markets is a short-term phenomenon. Speaking to people in the City, I have detected that whereas confidence was renewed in January and early February, there has been a recent slump in confidence, although I appreciate that much of that can ebb and flow. However, there is little doubt that it will take less than five years at the absolute minimum for taxpayers to extricate themselves from Northern Rock without net losses.

The Government should be resolute in resisting the claims of shareholders for compensation. That applies particularly to the hedge funds that piled into Northern Rock stock in the autumn hoping for quick speculative returns. They gambled and they lost. Regrettably, however, we cannot draw distinctions among the different classes of shareholder, however much we might wish to protect the interests of small, loyal Northern Rock investors or former employees and suppliers who may have held stock for some years. No more taxpayers' money should be expended on bailing out Northern Rock shareholders, beyond that which will be determined by arbitration.

Hon. Members in all parts of the House in the months to come will doubtlessly be inundated by pleading on behalf of well orchestrated, high profile shareholder groups, as they battle, perhaps even in the courts, for compensation. The temptation to make common cause with such groups should be resisted. We now need to give the new chief executive, Ron Sandler, the breathing space to make plans for the future that are economically viable, rather than simply politically expedient. The likeliest and wisest way to proceed involves the parcelling and sale of parts of the Northern Rock business, as market conditions allow in the months and, potentially, years ahead.

There is no easy fix. Politicians need to appreciate that if taxpayers are to stand a realistic chance of recapturing their guarantees and loans in full, we almost certainly face a long haul.

5.22 pm

Mr. Adrian Bailey (West Bromwich, West) (Lab/Co-op): I, too, congratulate the Treasury Committee on its work—as I am not a member of the Committee, perhaps I am better placed to do so. It produced a comprehensive report on a detailed and arcane subject, which was not made easier by the fact that the issues were unfolding as it did its work. The nature of the Committee's conclusions does it great credit.

Before coming to the substance of my remarks, I should like to declare an interest. I am chair of the all-party group on building societies and financial mutuals and make my comments as a committed supporter of the building society and mutual sector. However, although I am predisposed towards the sector, I recognise that companies in the financial services market are extremely important and that they complement the building society sector. It is in the interests of the consumer that the public have confidence in both sectors.

In 2005 and 2006, the all-party group conducted an investigation into the consequences of demutualisation for building societies, in a report called "Windfalls or Shortfalls?" The purpose of our investigation was to find out exactly what benefits, if any, had arisen from demutualising and who had enjoyed them. I will not go into the full range of our conclusions, except to say that the advantages that building societies enjoyed in not having to pay dividends to their shareholders was passed on to the consumer, hence building societies tend to dominate in the best value tables.

Interestingly, the one company that stood alone and bucked the situation was Northern Rock. In its evidence to the Committee—it did not give verbal evidence, but it sent a letter—its deputy chief executive, David Baker, said:

"Since 2000 we have been able to tap into Residential Mortgage Backed Securitisation markets to fund a growing proportion of our lending."

He gave a figure of about 37 per cent. by 2004. He continued:

"These funds have been raised increasingly abroad in Europe, USA and more recently in the Far East. Our wholesale funding had followed a similar trend and about 75 per cent. of all our new funding is now raised abroad."

He went on to say, most conclusively:

"We do not believe this would have been possible had we been a mutual building society."

In view of the consequences of the model outlined by David Baker, I am sure that investors in building societies throughout the country will be profoundly relieved by that statement, and I emphasise it because it is of particular importance that there are regulatory obstacles to building societies funding a proportion of their lending through the wholesale market. That has provided a protection and security to building societies that has not been so evident in the banking sector.

Mr. Mark Hoban (Fareham) (Con): Does the hon. Gentleman not remember a Bill that received Royal Assent last year at the behest of building societies to increase the proportion of funding that they could get from wholesale markets?

Mr. Bailey: I well remember the Bill; indeed, it was proposed by an Opposition Member, and I supported it in the Chamber. The Bill allowed greater flexibility to be exercised, but it also introduced an FSA regulatory process for wholesale lending to building societies, and it was never envisaged that that would reach the 75 per cent. proportion that was evident in Northern Rock. Whereas the situation is more relaxed for building societies than it was before that legislation, regulatory restrictions still apply to the amount that building societies can borrow from the wholesale market.

Northern Rock—its staff almost boasted of this—had "an extreme business model", to use the FSA's phrase. As I have said, it was disproportionately wholesale-funded. There was an absence of suitable insurance, and there was no plan B—no stand-by facility, whereby alternatives could be found if the existing sources of funding dried up. Ultimately, the blame for that must lie with the directors—the chairman, the chief executive and the non-executive directors—because they alone had devised that model, and in doing so they knew that they could aggressively seek new mortgages. The hon. Member for Twickenham (Dr. Cable) outlined some of the mortgages that they boasted of securing. Again, they boasted about them in the evidence that they gave to the building societies group. The fact is that they were using a model to borrow money to lend aggressively in mortgage packages that were somewhat doubtful and the sources of which were very vulnerable.

I mention that in particular because we have all been subject to shareholder pressure to get Government compensation. Indeed, one of the issues that must be examined is that of the Bank of England's moral certainty and the belief that it should provide liquidity to underwrite bad business practices—or not. It seems to me that the fundamental stance of the shareholders is basically that it should, but the Bank of England took a hard-line position and it did not. My right hon. Friend the Member for Norwich, South (Mr. Clarke) supported that, as the issue of moral hazard is obviously crucial in the robustness of the banks' business models.

Similarly, the Financial Services Authority has attracted criticism because although it recognised that the business model was extreme and inappropriate, it did not challenge Northern Rock either to change it or to provide an alternative source of funding, should things go wrong. Those areas of concern must be taken up in any Government inquiry in order to understand what regulation, if any, is appropriate to change that approach. Ultimately, when it comes to compensation and the role of the shareholder, it must be that the balance of culpability for this fiasco has to lie with the directors and the company. The public cannot be expected to underwrite either through the Bank of England or as taxpayers the business decisions of a board of directors.

What should be done? With a spectacular failure such as this one, there is a danger of issuing emergency regulations that are just window dressing and provide no substitute for dealing directly with the actual problem. The hon. Member for Cities of London and Westminster (Mr. Field) might not have said that the whole thing was political, but he did emphasise the role of political decisions. However, neither his answer to my intervention nor the intervention of the hon. Member for Ludlow (Mr. Dunne) provided a very convincing basis for making that allegation. In respect of the comments of the hon. Member for Cities of London and Westminster about the local football team, I should make it clear, speaking as a resident of West Bromwich, that I am a Cheltenham Town supporter—and my team was considerably less successful on Saturday!

We need to ask whether the existing regulatory framework is sufficient and whether the problem was simply the result of its not being properly applied. I think that there is considerable evidence to demonstrate that most of the regulatory framework was actually in place and, had it been properly applied, it might have prevented the problem. Comments were made earlier about the small number of FSA staff who were charged with dealing with Northern Rock. I note that it states in this morning's *The Times* that five FSA members have resigned. It seems that there is a problem with staff turnover. How far that contributed to the lack of adequate monitoring and supervision of Northern Rock, I am not in a position to say, but it is obviously an issue that must be addressed. There is little point in implementing a whole set of new regulations if those fundamental problems are not dealt with at the same time.

The second question is about the Bank of England and the balance of responsibility on the moral hazard. The refusal to provide the necessary liquidity in the market is said to have contributed to the problems, but the Bank's overall responsibility for the preservation of the robustness of the banking system has also been emphasised. I believe that there is a debate to be had about that.

Mr. Mudie: Will my hon. Friend comment on the Bank of England's behaviour in finding what every hon. Member in the Chamber thinks was the best solution—a market solution? Is there evidence of the Governor or any staff member of the Bank of England speaking to either of the two private sector firms that showed an interest in August, before the September collapse? Why is the FSA hit by such savage criticism when that sort of behaviour goes unnoticed and unquestioned?

Mr. Bailey: My hon. Friend asks an interesting question. My understanding, bearing in mind that I was not on the Treasury Committee, is that there was conflicting evidence on that and that the Committee could not

[Mr. Bailey]

come to a hard conclusion. If the Committee, having asked people the questions, could not come to a hard conclusion, I hope that he will forgive me if I duck the issue. I do not know the answer to his question, but the subject is perhaps worthy of further investigation.

The Committee went on to propose a range of other potential regulations or policies that would help to prevent such an event from happening in the future. They include deposit protection, pre-funding and insolvency procedures. Those need to be examined closely and the industry needs to be consulted. I am a little concerned, however, that much of the source of inspiration for those—the hon. Member for Hammersmith and Fulham (Mr. Hands) raised this issue—is the American model.

I was given to understand that about 10,000 financial institutions carry out banking functions in America, many of which are much smaller than institutions in this country. As a result, insolvencies are much more common and a process for dealing with those has been developed. It could well be that good, hard lessons can be learned from the procedures implemented there, but I would be a little wary of assuming that we can necessarily graft on to our own body of regulation regulations that are derived from a totally different financial services market, which has a far greater number of players and many more smaller players. I mention that as a cautionary note.

I underline and support comments about a communications strategy. They were well made. In today's communications world, with 24-hour coverage, intense speculation about the smallest announcement, moves or sub-text within a balance sheet means that a coherent position has to be taken by the tripartite authorities when a problem is obviously arising. That is one of the problems that arose between 10 and 17 September last year. As a result of not getting a coherent message, media speculation was rife. That reinforced the natural sense of concern and worry of the depositors in Northern Rock and was a contributing factor to the queues that lined up outside that bank. There may well be a need for new regulation. However, that regulation must be proportionate and focused on the institutions where it is relevant.

To return to my comments on building societies, I would not wish a body of regulation designed to deal with possible problems from a Northern Rock-style financial model to be imposed on building societies, which are based on a totally different model. The danger is that a new regulatory framework could be introduced that might be relevant to current circumstances but could prove a big problem for perfectly sound, well-run companies that have delivered value for money for, in some cases, hundreds of years

In what will be a tighter and an illiquid mortgage market, we shall need to find whatever means we can of assisting the first-time buyer. If we introduced a set of regulations that might involve making the liquidity position of a range of financial institutions considerably more difficult than it is already, we could be working against our wider social objectives. There is a balance to be struck. I hope that the Government's consultation exercise will be deep and probing, and that the outcomes will reflect that balance. I hope that they will secure changes in regulation that are proportionate to the problem highlighted by Northern Rock without in any way damaging the wider financial services sector, particularly the building societies sector.

5.41 pm

Mr. Peter Lilley (Hitchin and Harpenden) (Con): I pay tribute to the hon. Member for West Bromwich, West (Mr. Bailey). He made a powerful point, to which the Government would do well to listen, about the dangers of producing a system of regulation that might have prevented the problem we have just experienced, but would create new problems for very different sorts of building societies. I also pay tribute to the Treasury Committee and its Chairman, the right hon. Member for West Dunbartonshire (John McFall), for the valuable report that provides the substance for today's debate. It is slightly surprising, however, that it is the only substance for the debate.

Last time we debated Northern Rock we rushed through legislation, having been told that it was essential to set aside the normal process of parliamentary scrutiny so that steps could be taken rapidly by the new management at Northern Rock which would bring about a new situation. We expected those steps to be taken rapidly, and we expected some illumination to follow, although we were not given it at the time of the nationalisation debate. We expected to know more about the competition rules and regulations, and the approach that we would have to adopt. None of that has happened. We could have had proper parliamentary scrutiny at the time, but we were denied it, not because of the needs of the business but because of the desire of the Government to escape the embarrassment of prolonged debate.

I do not intend to pursue that point, however. Instead, I want to examine some of the factors underlying the problem of Northern Rock and the problems of the banking system, both nationally and internationally. Let me begin by mentioning a mistake which is so basic that no one in the Chamber has made or would make it, but which was commonly made by many commentators at the time when Northern Rock's problems were exposed. They said "The problem is that Northern Rock has been borrowing short and lending long." Well, of course it had: that is what banks do. If it had not borrowed short and lent long, it would not have been a bank.

It is intrinsic to the nature of fractional reserve banking that banks borrow short and lend long. Banks tell depositors that they can have their money back on demand or at very short notice, but in practice only a fraction of the people who deposit money at any one moment want it back, so the banks need keep only a fraction of the money liquid and in reserve. In normal circumstances, they will be able to invest long-term in less liquid assets. That is the nature of fractional reserve banking, but it is also why fractional reserve banking systems, although stable in normal circumstances, are potentially and intrinsically unstable.

If everybody decides they want to remove their money—as they have the right to do, and as the banks have promised them they can—they cannot do so because the banks only have a fraction of the money on reserve. We can draw an analogy with bridges: if people walk over a bridge in the usual random fashion

it might carry 1,000 people, but if all those people march over it in step, it will collapse. The banking system can operate if some people are putting money in and others are taking money out, but if they all decide to take money out, it collapses, as we discovered when people formed queues outside Northern Rock branches.

It follows that there are only two possible approaches. One is the extreme but rigorous intellectual one proposed by people such as Murray Rothbard, which I do not think has many supporters in this House—apart, possibly, from the right hon. Member for Holborn and St. Pancras (Frank Dobson)—which asserts that fractional reserve banking is intrinsically fraudulent and that it should not be allowed or sustained. As a result, banks would find that they had to keep 100 per cent. of their assets in liquid reserves and would cease to be fractional reserve banks. I would not propose that view, but if we do not accept it, we must instead have a lender of last resort who is prepared to step in and prevent a bank from failing if there is the remotest chance of that bank failure spreading to other banks and causing people to want to withdraw their money simultaneously—to march in step rather than put money in and take it out in the usual random fashion—and that must be accompanied by deposit insurance. I think that the Bank of England might momentarily have forgotten that intrinsically it has to operate as a lender of last resort, and have thought instead that moral hazard overrode that position so it had to let Northern Rock go belly up. That cannot be allowed to happen; the lender of last resort is so important that it must at times override the concerns about moral hazard to protect depositors and to prevent the contagion of other banks—but not, of course, to protect the shareholders. There is no obligation on the Government or central bank to prop up the value of shares; people have put their equity at risk, and they know that they can lose it—and, as we are aware, there are, of course, equity risks in other areas.

Although we must accept this fundamental nature of the banking system, while we are looking afresh at our banking and mortgage finance systems, we might also look at the experience of other countries. The right hon. Member for Holborn and St. Pancras mentioned a point that I have previously made: the Spaniards have demonstrated that if banks are required to consolidate all their loans and operations, which we elsewhere have allowed them to take off balance sheet, they are less likely to go down the road that has led to the sub-prime crisis in most other countries. We might also look at what happens in Switzerland, Hungary and some other countries where mortgage loans are generally required to match more closely the term of deposits and bonds. That may result in slightly more expensive mortgages over their life, if short-term interest rates are on average a bit lower than long-term interest rates, but it produces a more stable system. There is a case for examining more closely what happens in countries that require that and which do not seem to have had these problems. They also do not seem to have had as much housing market inflation as our system has had.

The second fallacy that is frequently uttered in the public discussion of these issues is the suggestion that the credit crisis that we have experienced worldwide is caused by banks becoming more imprudent. If anything, the reverse is the case. The credit crisis has revealed the problem of imprudence at certain banks in certain cases, but it has not been caused by that. When the tide goes out we see who was swimming naked—we learn who forgot to put on their bathing trunks. The fact that they did not put on their bathing trunks did not cause the tide to go out. When the credit tide ebbed, we discovered which banks' lending had been less prudent than others, but that less prudent lending did not necessarily cause the tide to ebb.

A third frequently made statement is that the problem was that banks chose to invest in risky assets when they should have put their money into safe assets. By and large, banks would have preferred to put their money into safe assets; they put their money into risky assets only because there were not enough safe assets with notable returns. Why were they being led in that direction? Why did they spontaneously and across the world start investing in more risky assets?

Mr. Mudie: Greed.

Mr. Lilley: No, it was not because of greed. It was because it was necessary that they be encouraged to do so. There is a systemic imbalance in the world economy. In China, above all, and in a number of other countries, the willingness to save and lend far exceeds the willingness to borrow and invest—it is extraordinary in such a poor country. That surplus of savings requires the rest of world, if there is not to be a deflation, to borrow more and save less than they would otherwise do in order to match that imbalance. That is what has happened: an outflow of savings from China has financed a huge deficit in the United States and other developed countries. That is the precise reverse of what one might expect to happen between rich and poor countries.

Ms Sally Keeble (Northampton, North) (Lab): I have listened carefully to the right hon. Gentleman's interesting speech. Does he accept that a number of banks will say that they did not think they were investing in risky products because they were all given good ratings by the ratings agencies and that the products' weaknesses emerged only afterwards, when it was, by and large, too late for the banks then to do anything about those products—or rather when the banks would say it was too late?

Mr. Lilley: The hon. Lady perceptively raises an issue that I am about to discuss. If she does not mind, I shall try to reach it by my own process, but as she realises, it is fundamental.

The imbalance of savings in China and elsewhere means that the rest of the world has to borrow and spend more, and it is encouraged to do so by decreasing interest rates. The reduction in interest rates means that people have to look around for things in which to invest all that cheap money, and there just are not enough high-yielding assets and opportunities in America, this country and other developed countries. Of course people look for the safest options and the best and most reliable yields, but they are being encouraged in this process.

If people had not spent and borrowed all that money, there would have been a deflationary tendency in the world economy, so let us not assume that there was an easy option—that they should just not have

[Mr. Lilley]

done it and they should have let the money pile up in their coffers. We would then have been complaining about the lack of spending, investment and borrowing to counteract the excessive piling up of savings in China and elsewhere.

Banks try to ensure that they have good collateral in circumstances in which yields are low; I come to the point that the hon. Lady was making. They think that bricks and mortar are safe, sound and robust. Bricks and mortar—buildings—may be solid, but the value of those assets is in itself a financial phenomenon, and it is partly driven by the weight of lending and borrowing that is taking place. People borrow money on the value of houses and that money then goes around the system, driving up the price of houses. When there is any check on that system, we suddenly find that the whole process is vulnerable, because the asset base used as collateral behind the loans that people have been encouraged to make starts to fall. That is what happened. The value of housing in the States fell, so the loans were not covered, and when people lost their jobs the mortgage institutions called in the loans and found that the value of the housing was not sufficient to cover them. That inherent instability means that when the whole party stops—when the spending stops driving up the value of the assets used as collateral to justify the loans—we find ourselves in a brittle situation.

I do not have a solution, but no one should pretend that the solution will be fiddling around with regulation. We will probably go through a difficult period; we may go through another cycle whereby the whole banking system is re-liquified by the central banks, and everyone thinks that that is jolly good and starts lending again. Unless and until the underlying problem of China's saving too much and America's running huge deficits is solved, we will be in an intrinsically unstable situation.

In the long run, we must move towards a situation where China uses its money to enrich its own people and America learns to balance its books and balance its own savings and investments rather than be the lucky recipient of poor countries' money. Although the issues that I put before the House go far wider than the report, I hope that they will illuminate the further thought of hon. Members and the Committee on this subject and that the Government will take them into account when they think ahead, rather than imagine that a sophisticated system of regulation will solve the intrinsic problems of either the banking system or the world economy.

5.57 pm

Mr. George Mudie (Leeds, East) (Lab): I, too, congratulate both the Chair and the members of the Treasury Committee. We know that my right hon. Friend the Member for West Dunbartonshire (John McFall) works us hard and works himself far too hard. He has steered us through, and achieved a consensus on, a very controversial matter, which is no mean achievement.

I also congratulate the Committee's staff, about whom I would like to speak to the Deputy Speaker and the House authorities through this debate, if I may. The hon. Member for Twickenham (Dr. Cable) was a bit grudging about the Treasury Committee reports, but they would be even better if we had more staff. I am amazed at the quality of the reports and the amount of work that the Committee does with such a small number of dedicated staff, and I fear that we exploit their dedication. I think that view is shared by others. The Treasury Committee—this probably applies to Select Committees as a whole—is a very useful institution and a very valuable instrument, certainly in this place, where it is the Cabinet or nothing and where no debate and no policy examination is encouraged. I am not making a point about our Government, because this applies to every Government, but I almost think that the Select Committees are deliberately understaffed and under-resourced—and that applies to the Treasury Committee in particular.

The hon. Member for Twickenham was grudging, but probably right, about the report. The questions he asked were accurate, but I would advise his two colleagues sitting opposite me to have a quiet word with him. It would be wonderful if someone ever volunteered information to the Committee. I remember once asking bank representatives how much they made out of credit cards and their response was, "We don't tell the shareholders, so we're not telling you." Even in respect of this exercise, I can remember an infamous occasion when I was more than bad tempered with a Governor of the Bank of England.

John McFall: Remarks such as that from the credit card companies can be dangerous. They had come before us to discuss unfair penalty charges that they had imposed. We said, "The charges you imposed are all rounded up to the nearest pound. How much do you make out of that?" They replied, "We don't make anything out of it." They did not tell us anything, so we referred the matter to the Competition Commission. It is now with the Office of Fair Trading and in the courts, so they got themselves into trouble because of their truculence and stupidity. Does my hon. Friend agree that if they were a wee bit more open with us, that would help both them and the country?

Mr. Mudie: I totally agree. I thought that my right hon. Friend was intervening to say that I was never bad tempered with anyone, let alone the Governor of the Bank of England. I am deeply disappointed that he did not. *[Laughter.]*

The real value of the Committee in the exercise came about because, as it happened, we had fixed a meeting with the authorities in September on another matter—I think it was to be with the Governor on a monthly inflation report. When the Northern Rock situation blew up, we were able to take the opportunity to raise the matter. We performed a valuable service because when three bodies are involved—in this case, the Government, the Financial Services Authority and the Bank of England—there is a tendency for them to fall out and for mistakes to be made. There is also a tendency for bureaucracy to win. Each understands that if there is a falling out and it speaks openly about what has happened, the other two will talk about what it has done. They conclude that the less they say, the better. In this case, we hit them hard, which meant that more information was put into the public arena than

would normally be the case. However, the situation also underscored the problem that Select Committees have in getting people to volunteer information.

My right hon. Friend the Member for Holborn and St. Pancras (Frank Dobson) made what I would describe as a lovely old Labour speech of a kind heard too rarely in the Chamber now. He put the debate in a wider perspective, which is what it needs. We are facing a threat to the economy and to people's standard of living and jobs, but not because of Northern Rock. It is interesting to see how many northern MPs are in the Chamber. The matter is now rarely mentioned in the papers, whereas until two or three weeks ago it was the staple diet of the financial pages. Northern Rock has been dealt with and dissected, but it is not the real problem.

I do not wish to cross swords with such an experienced and able member of the Opposition as the right hon. Member for Hitchin and Harpenden (Mr. Lilley), but although we reached consensus in the Committee and produced a unanimous report, varying shades of opinion fed into that consensus. On reflection, I think that Northern Rock had a very hard time. Some people would say it deserved that, but it was not the culprit and the cause of all our concerns. Those concerns were caused by the bankers and the banking industry that started the securitisation. We need responsible lending.

There was a lass in America—I think she was 85 or 92—who was sold a mortgage of $450,000. After a year, when she packed up her cleaning job, she defaulted. It did not need an experienced banker to know that there was no way she would repay the money, but still it was lent. The lender did that deliberately, and the debt was passed on and contributed to the contamination of the wholesale markets that paralyses them to this day.

I have had the deepest respect for the right hon. Gentleman for all the years I have been here—he handled the Maxwell crisis in an unparalleled manner. However, the behaviour in the Northern Rock affair was not new for the banks. I commend to him a book called "A Random Walk Down Wall Street".

Mr. Lilley *indicated assent.*

Mr. Mudie: I see that he knows it. The updated edition has a wonderful long chapter on banking difficulties. Taking securities and selling them on is not new behaviour. Often in their history, banks have found something that will make them a lot of money, which some poor sucker will buy on the basis that they can sell it on to another poor sucker. That is the way they do things. The problem is not about China, Africa or India. It is about high yields, as the right hon. Gentleman said, and nothing more. The Chancellor said that he wished we could have some "old-fashioned banking" that was sensible and tight. Such banking is epitomised by the hon. Member for South-East Cornwall (Mr. Breed), who is glaring at me—no, he is smiling at me. It involved bankers who cared about their customers and were happy with a steady profit, but that is not what the national bankers are like.

I wonder whether hon. Members remember the tulip bubble in Holland. A particular tulip became very valuable. The price went up and up until the last sucker said, "But this is not worth much." The reply was: "No, but you've bought it." By then, the rest were out of the market. "A Random Walk Down Wall Street" mentions all kinds of exercises like that.

Layman though I am on banking, I remember when all our banks were investing in south America. I was the leader of the council up in Leeds at the time, and I was trying to get some of the brass to come to Leeds and invest there. They would have got good yields, but modest ones compared with what they were being offered in south America. Of course, when the south Americans got all their brass, they said, "Bye-bye, we're defaulting."

I remember the high-tech bubble. People put their money in high tech, and why? Because of the yields. It was about greed. They did not question, they just bought, because they could sell at a great price. That attitude is what we are up against. If the Northern Rock situation has done anything for us, it should have allowed us to look past Northern Rock to what bankers are doing.

John Thurso *rose—*

Mr. Mudie: I welcome the hon. Gentleman intervening, because I need to work out where I am in my speech.

John Thurso: It is always a pleasure to help out the hon. Gentleman. Does he agree that his catalogue of historical tales shows that, in the City, it is always far better to be wrong in a herd than ever to risk being right on one's own?

Mr. Mudie: As always, the articulate hon. Gentleman is spot on. He is a valuable member of the Treasury Committee.

If I wanted to be controversial, I would say that one point of consensus in which I do not share is the heaping of blame on the FSA. Yes, it was lax in its regulation, as is spelled out in the report, but I do not like the way in which the other culprit, the Bank of England, has stolen off the stage without anything being said. It has a lot to answer for.

In an intervention, I asked my hon. Friend the Member for West Bromwich, West (Mr. Bailey) about the market solution that we all wanted. Why was it not pursued? We have had no answer. Why is there no evidence that anybody from the Bank of England met the prospective buyers, one of which is now known to have been Lloyds TSB? We have had no answer. Why did the Governor dismiss that point in this fashion: "Oh, I vaguely remember a telephone call that came through to my officials from the FSA"? At such a time, I would have thought that Eddie George would have had that bank in on the Sunday and closed the doors, and they would have gone out at the end of the day with a deal done on a market solution. But that is a judgment call, is it not? I do not think that Eddie George should have dismissed the situation by not taking a telephone call, by not speaking to those involved and by not bringing in people from the City; he should have been straining every sinew to get a market solution. Clearly, however, the Bank of England did not do that.

Mr. Dunne: I think that the hon. Gentleman is at the crux of what started to go wrong with this chapter of errors. To what does he attribute the failure to engage with the single bona fide credible private sector buyer? Once that buyer's initial interest had gone away, the Government were left with buyers of straw.

Mr. Mudie: That is an interesting question. It was remiss of me not to mention the hon. Gentleman, as he raised the matter in a question earlier today.

Members of the Committee might disagree with me, and it might be too cynical, but my point is worth making. It might be the wrong answer, but like the hon. Gentleman I would welcome another answer. The big question is: what on earth happened? Why were no efforts made to bring other banks in? Why, when the Government had a buyer, were the discussions not exhausted? Why was there no record of the negotiations? Those are good questions, are they not?

Before I leave the subject of the bank, another question arises on the subject of moral hazard, and leads to that of regulation. Moral hazard has a place in a philosophical discussion. It also has a place in the wider picture, but I prefer what Greenspan said. He said that he saw it as his job not to burst the bubble—although there are questions about that—but to help pick up the pieces. We were in a difficult situation: the bank's going down could have led to a domino effect. The Bank of England knew that, but sent a letter that was several pages long to the Treasury Committee to explain why it was not morally right to put liquidity into the market. A week later, that was done. If I were in the City, I would want security and confidence in people's judgment and I would want consistency, and I would be wondering what on earth was going wrong with the Bank of England. I am just throwing that in. It is easy to take a lazy kick at the FSA, but the Bank has to answer questions too.

The hon. Member for Ludlow (Mr. Dunne) asked a question, and I shall respond. I would go to the tripartite arrangements and why they did not work. First, I support the assessment of the ex-chairman of the FSA, which he gave in a speech at Oxford. He said that considering the tripartite arrangement and how it worked, one should forget about structures and look at people. I thought that that was an interesting remark. Everybody in this Chamber, as a politician, knew what he was saying. It was a valuable but not well-reported comment. As everyone knows, it is possible to build a huge structure with huge organisations, but those organisations are only as good as the people inside them. If the people inside them are not working well, there is a difficulty.

Let me be controversial. Attacks may be made on me from all sides, but as a cynical and hard-bitten politician I wonder whether the Bank of England saw this as something for which that upstart the FSA was responsible. It is well known that the Bank of England as an institution did not like either those powers being taken from it or the creation of the FSA.

Mr. Breed *indicated dissent.*

Mr. Mudie: I know; I understand. I do not mind people disagreeing if they put another theory into the frame. Here is one—although I could not push it. In Committee, I picked up on strains between all three parties. The Chancellor was always very loyal, although hon. Members will expect me to say that. The Bank of England, on occasions, attempted to land the Chancellor in it. The FSA and the Bank had some bad vibes and were unwilling to be forthcoming about the conversations that they had had. That points towards bad relationships that, I think, might have contributed to the problem. We should think about those relationships.

My right hon. Friend the Member for West Dunbartonshire spoke about war games. Another factor was the newness of the Chancellor. We should remember that he had been in office for only a month, whereas the Governor of the Bank of England had been in post for five years and McCarthy has been around for a considerable time. Strong, able and confident as the Chancellor is in such situations, he has to look at those people of experience—*[Interruption.]* Am I boring the hon. Member for Twickenham already? The Chancellor would certainly have to look to long-standing officials of such stature for advice. The conflicts that went on are very interesting.

I agree that we should be careful about regulation. The trouble is that when there is a crisis or when something has blown up, we change the regulation to deal with that. However, that is not why we should be changing the regulation. We should think of what will happen in the future. We should say, "That's what has happened; deal with it by changing the regulation lightly, if you will, but do not over-regulate."

Mr. Breed: Does the hon. Gentleman agree that regulation is no substitute for responsibility? However much we want to regulate, it is the responsibility of the people who made the initial decisions that they should have been right, while regulation is the back-up. Regulation is legalistic, but we really want oversight. We want from those individuals not just regulation but an oversight of what is happening in the industry and with individuals.

Mr. Mudie: The hon. Gentleman puts his finger on the problem.

I want to say just two more things. The first is about regulation. I fear that we would see decent regulation as ticking boxes. Even after this crisis, I do not think that we have learned the lesson of decent regulation in this respect. No central banker—neither the FSA nor a central banker on the model of Greenspan—will be willing to regulate. Let me explain. We, the FSA and the Bank of England clocked the dangers with such securities. Our criticism was that they were not spoken about loudly enough and that no effective action was taken, either. That does not surprise me, because of the comment made by Greenspan. Northern Rock was not the problem. Securitisation was the problem, but, as we see from the losses, securitisation was making tremendous profits. It would therefore have taken a brave central banker to take the big step, which would have avoided the problems with Northern Rock and the worries that we are experiencing, of speaking out loudly and taking action against the contaminated securitisation that was going on. Greenspan put his finger on it: no central banker has that courage, or sees that as their role. It would be interfering in the market, and the market makes money, so people interfere at

their peril. People watch and put on record a bit of what they see, but they let things run their course, and when things fall apart, they go in to pick up the pieces. That has been the history. When we speak about regulation, we are speaking about regulation at the margins, because the other type of regulation would be seen as interfering with the operation of the market. If the market is making great profits, it is a brave central banker who steps in.

Lastly, I want to say a word about shareholders. I do not shed tears for them, and particularly not for the market hedge fund shareholders—the vultures who bought shares when they knew that Northern Rock was in trouble. They knew what they were getting into, and endangered the sympathy that people might have felt for the employee shareholders and small shareholders. The behaviour of the market hedge fund shareholders has been disgraceful. They forced an extraordinary general meeting, upped the ante and upset people. I fear that they may have caused a loss of sympathy for the shareholders as a group. If we could divide them, I would be all for a suitable payment being made to the small shareholders, in place of the shares that we have taken. To the hedge fund shareholders, however, I would say, "Of all the shareholders, you were the people who knew what you were getting into, and you deserve nothing," but this is not a perfect world.

6.21 pm

John Thurso (Caithness, Sutherland and Easter Ross) (LD): May I begin by echoing comments made in the first two contributions to the debate? The first contribution was made by the right hon. Member for West Dunbartonshire (John McFall), and I echo what he said about the staff who helped to produce the Treasury Committee report. They gave not only great quantity, but great quality. The second contribution was made by the hon. Member for Sevenoaks (Mr. Fallon), and he paid tribute to the Chairman; it is worth restating what he said.

I should also like to pick up on a comment that the hon. Member for Leeds, East (Mr. Mudie) made about my hon. Friend the Member for Twickenham (Dr. Cable). He is probably right to say that my hon. Friend's comments were harsh but accurate. The hon. Gentleman asked me to have a word with my hon. Friend after the debate. I say this to my hon. Friend: he is absolutely right, but it is worth bearing in mind that since we issued our report back in January, much evidence has come out. We were working on the basis of the evidence that we were given. My hon. Friend raised with me the point that although many eminent people gave one level of evidence, there are now somewhat different views coming out. He said that we might like to look again at the matter at some point, and perhaps it is an issue to which the Committee will return.

I do not want to go over the whole report; I will cherry-pick a couple of points. The hon. Member for Leeds, East made a valuable point, the theme of which was people. That is the issue that we ignore at our peril. Interestingly, when I attended an industry dinner last week, I sat next to an eminent director of an eminent company, who said to me, "Why on earth did you bother to rescue Northern Rock? Why didn't you just let it go under? What was the purpose of rescuing it?" It is worth reminding ourselves of what we all set out to do. There are, of course, two reasons for what we did. The first, obvious, and probably most important, reason to act was to avoid contagion in the banking industry. We saw what contagion could do, if let loose, when we saw a televised run on a bank. Not only was it the first run on a bank in more than a century, but it was televised. The run gathered pace like a brushfire, so the Government were absolutely right to act quickly to deal with the situation.

The second reason concerns our relationship with depositors—an issue that a number of speakers have raised. It is important that we look at what we mean when we talk about financial stability, as the hon. Member for Sevenoaks said. An important part of it is that the ordinary citizen should have confidence that when they place an amount of money in a bank, they do not find themselves the lowest unsecured creditor in the chain. We have heard the term "moral hazard" applied to banks, but during our inquiry, I heard the term applied to the high street depositor. That is why the old system was not 100 per cent. The idea was that there should be some moral hazard attached to the depositor. That is ridiculous, and has been proved to be so. If the entire weight of the regulatory system cannot ensure sufficient due diligence, how on earth can the individual in the street be expected to ensure it? A clear lesson from our report is that there should be 100 per cent. protection, up to an amount, to ensure that depositors are looked after.

Our report makes it quite clear that the start of it all was the board of a bank that made some fairly disastrous decisions. It followed a very high-risk model. There are a few points arising from that, all of them about people. One of them concerns the board. Comment has been made about its composition, but there is a general point to be made. I serve on a plc board as a non-executive, and have served on other boards. I am deeply concerned that, after Greenbury, Cadbury, and all the other reports that have been produced, a box-ticking mindset has entered into many sectors of corporate governance, replacing an old-fashioned, common-sense duty of care. That duty of care needs to be recaptured. If the board of Northern Rock had applied a common-sense test, as opposed to ticking a lot of boxes, it might have realised what was so obvious to all of us, with hindsight—that its model was extreme.

The last point about the company itself is that it was under tremendous pressure from the City and City investors to produce good-quality figures quarterly. I question whether banks are the appropriate vehicles for high risk and high return; we debated that point today. In return for banks having a degree of protection and a safety-net available to them, there must be a degree of utility as regards them. I would not take that too far, and I certainly would not go as far as the right hon. Member for Holborn and St. Pancras (Frank Dobson) does, but if banks are to be in that position, there has to be a balance. We should not really look to them for high risk and high rates of return.

I now come to the tripartite authorities. Again, it is a question of people. The point was well made by the Chairman of the Select Committee and the hon. Member for Leeds, East that the relationships that existed in 1997, which were left over from a previous generation, no longer exist. The war game aspect is

[John Thurso]

important, because while all three entities made mistakes, and all tried to do their best, things failed totally when the three of them had to act in concert in a crisis. It is that kind of work, which the right hon. Member for Norwich, South (Mr. Clarke) likened to Cobra planning in the services, that needs to be done. It is not yesterday's crisis, which has been regulated for, that has to be dealt with. What are needed are the people with the training and the skills to move in to deal with tomorrow's crisis.

My last point on the topic of people concerns leadership. It is clear that we all expected the Treasury to be the lead organisation of the tripartite authorities in such an affair. There are many mitigating circumstances. Many of the key players in the Treasury at official level had moved next door not long before. There was a relatively new ministerial team. There were several reasons why the people were not necessarily in place, as they could have been. Concern is expressed in articles in the *Financial Times* today and in other financial pages about whether the Treasury has the skills in depth that it needs. That is not a criticism of any person. I recall that when I used to run businesses, one would look at the organisation and say, "These are good people, but have they been trained sufficiently? Between them all, are there the necessary skills?" It is a worry that the Treasury does not have those skills, and I hope it will be put right.

A further point, which is not to do with people, is the stigmatisation of the lender of last resort. As the right hon. Member for Hitchin and Harpenden (Mr. Lilley) so eloquently pointed out, in order to work, the system must have an inherent flaw in it, and that is dealt with through the lender of last resort. Effectively, the status of the lender of last resort was stigmatised in the press. I do not remember which of the big five banks it was, but one of them had a little borrowing operation earlier, and newspapers were ringing up anybody and everybody to try and find out whether another bank had the same thing. If we are to have a lender of last resort, which is a prerequisite for ensuring that the system works smoothly, there cannot be a stigma attached to it.

Finally, on house prices, we in the United Kingdom have a curious house market which, for historical reasons, delivers an increase in price and equity that is not shared with many European countries. Two parts of the market work simultaneously. One is a lack of supply of houses and land, and the other is an over-supply of money. When those two come together, the problem arises. My hon. Friend the Member for Twickenham has often made the point that we cannot rely on that kind of growth in the future.

Like all great calamities, the run on the Rock, like the Tay bridge disaster, required a series of events to take place in an unforeseen order. It is easy, with hindsight, to point out all the things that went wrong. We must ensure for the future that there are the right people in the right place with the right skills and sufficient training. We need to make sure that banks as individual organisations are properly regulated and that—the point that our report makes—the system as a whole has overarching supervision.

6.34 pm

Ms Sally Keeble (Northampton, North) (Lab): I am grateful for the chance to take part in a debate that has been thoughtful and constructive. As a member of the Select Committee, I add my thanks to the staff of the Committee, who did a superb job, producing two complex and extremely good reports in a short time, and to our Chairman, for making sure that we achieved consensus in an area that could have been fraught.

I shall focus on the topic of moving forward and the broad themes discussed by previous speakers. The right hon. Member for Hitchin and Harpenden (Mr. Lilley) said—I hope I do not summarise him unfairly—that there was a problem with the macro system, and indeed there is. Others said that political factors drove some of the decisions that were made. Some acknowledged that things went wrong, but argued that that does not mean that the regulation needs to be changed or increased for the entire system.

Of course there are difficulties in the macro banking system, but I do not believe that the system is totally fractured. It needs to move forward, not back to where banking used to be some years ago. I refute the idea that there were political factors driving the decisions. The Treasury took the best decisions in extremely difficult circumstances, and we must move forward cautiously. No doubt over the coming months there will be many more difficult decisions to take in respect of Northern Rock.

Changes are needed to regulation in the banking system. I shall pick out parts of the Select Committee's report which deal with that. One of the frustrating aspects of our inquiry was that everybody said that they did their job. Every box was ticked, yet we ended up with a disaster. In the course of the investigation it became clear that there was no interface between the regulatory system and what was going wrong in Northern Rock. Everybody said, "We all saw that it was an extreme business model. We all knew the kind of mortgages that were being provided. We all knew that they were over-reliant on the wholesale market, even if we did not know the full extent", and so on, yet there was no intersection between the regulatory requirements and what was happening in Northern Rock, until it was too late.

A section in the Committee's report, "The run on the Rock" highlights the fact that Northern Rock had a Basel II approval and on that basis had agreed to increase its interim dividend. That was a reflection of slightly different factors, but it fed the impression that Northern Rock was doing well and could afford to pay out. It increased its payout at just the time that it was running into liquidity problems. That was one symptom of the fact that the regulatory system at the time did not deal with the problems that would cause, as everyone has said, the first run on a bank in the UK for about 140 years.

A few of the weaknesses emerged in the course of our inquiry. In many ways the FSA has done a superb job, but it has always focused on macro issues and preserving the reputation of the industry internationally which, ironically, has been so damaged. Previous speakers mentioned the slowness of response, especially in the case of the tripartite system, and prior to that, the slowness of the FSA in recognising and tackling the problems that it had clues about.

My right hon. Friend the Member for West Dunbartonshire (John McFall) spoke about the proposals for structural changes in regulation. I agree that those are important, as he said, to put a bit of grit into the system, to make it impact more on the problems, and to identify a lead person who would deal with problems of the kind that emerged in Northern Rock.

I want to discuss two aspects of regulation in the changed circumstances. First, what will happen to the credit rating agencies? Our inquiry highlighted some serious problems, and the Committee's proposals are set out in the sixth report of the Session. We identified a conflict of interest by which the credit rating agencies provide both advice to financial institutions on how financial institutions should package products and the ratings for those products. Although the agencies assured us that they have safeguards and Chinese walls, the whole Committee felt that the safeguards are not adequate.

Secondly, there is a lack of competition, because two US agencies and one European agency mop up almost the entire business.

Mr. Hands: That is a common misconception about credit rating agencies. The ratings are best viewed on a relative basis: the fact that something is rated AAA does not mean that it is infallible; it means that it is much more credit worthy than something rated AA. If comparators are necessary, a concentration in three or four firms is inevitable, because the agencies require global reach to compare, for example, a small bank in Japan with a large multinational corporation in the United States.

Ms Keeble: The hon. Gentleman has set out the defence for the credit rating agencies. The Committee heard that view at great length, but I was not convinced by organisations that advise on structuring a package to obtain the necessary credit rating to sell the products, but—this emerged in the evidence hearings—do not scrutinise the details of the products that are being bundled up, which is a real weakness.

A number of hon. Members have criticised the securitisation process, but I have not criticised it, because such products are bound to exist in a complex world that contains global financial markets. It keeps the system going by providing products in which the Chinese and others can invest, but bundled products require close scrutiny. Throughout the Northern Rock fiasco, people said, "We did not know that sub-prime mortgages were so risky," or "We did not know exactly what was being bundled up in that product."

If, for example, my constituents' pension funds are going to rely on those products I want security and assurance. The credit rating agencies did not provide that, and it is right to criticise them and demand more. As my right hon. Friend the Chancellor has repeatedly said, the ratings are just health warnings, and it is down to everyone to observe due diligence. There is no particular reason why people should accept the ratings as gospel, and they should consider other factors, too.

The evidence presented informally and formally by the industry suggested that the due diligence to back up the assessments of the credit rating agencies is not routinely conducted, which is a severe problem. I am not worried about sophisticated investors, economists and hedge funds, but I do not want my constituents' pensions and homes to rely on financial products that have not been sufficiently scrutinised and properly assessed by the banks and financial institutions that have invested in them.

The recommendations in the report are modest, and it is important that they are chased through the financial system. I am pleased about the debate in the financial press about the need for greater scrutiny of credit rating agencies. I am also pleased that the Financial Secretary and her colleagues in government are taking the matter forward, and I hope that she will say more about that.

Frank Dobson: In view of what my hon. Friend has rightly said about the recognition by some of the financial columns that things are wrong, does she find it strange that whenever Standard and Poor's or a similar firm provides a credit rating, it is still treated as if it were a tablet of stone?

Ms Keeble: Yes. There has been a lot of discussion about the complexity of the products and whether people understand them. If people are not prepared to undertake the necessary scrutiny and due diligence, there is still an over-reliance on those assessments. The health warning that those ratings are just one measure has fallen on deaf ears, which is one reason why the credit rating agencies should be examined more carefully.

On the liquidity rules, Northern Rock ticked all the boxes on liquidity, which is 5 per cent. or five days' business falling due. I am concerned that the measure is not adequate, and we should revisit the issue. Other banks have similar liquidity profiles, albeit that they are not so reliant on the wholesale financial market, which was Northern Rock's problem. If we are to implement a regime that minimises the likelihood of the Northern Rock situation being repeated, we must re-examine the rules and requirements on liquidity. However, we cannot do that on our own, and I would be grateful if the Financial Secretary discussed progress in the international discussion.

On the future of regulation, big changes are taking place, which should produce lighter-touch regulation—so-called principles-based regulation. I hope that there will be careful oversight as we move towards that, because I have some qualms whether that approach will provide the rigorous scrutiny and detailed management that is needed given the current rather turbulent times.

I repeat that the Government were right to consider the private sector options before going for nationalisation. As the process moves forward, I hope that we achieve a realistic and rational discussion about Northern Rock and its future and learn some of the hard lessons spelled out in the report, which will ensure that the chances of a future Northern Rock are kept to the absolute minimum and that our constituents feel more secure in their finances and more confident about the financial and banking system.

6.49 pm

Mr. Greg Hands (Hammersmith and Fulham) (Con): I do not want to talk much about banking reform. Instead, I want to have an urgent look at what has been

[Mr. Greg Hands]

happening at Northern Rock in the two weeks or so since the nationalisation on 22 February. One of the most interesting things is that there has been virtually no press, media or parliamentary interest in what has been going on at the bank during that period. With the exception of a few well placed questions from Conservatives at Treasury questions, there has been remarkably little interest.

The *Financial Times* has covered only one aspect in the past two and half weeks; I shall come on to the coverage of the *Financial Times* shortly—it is not infallible by any stretch of the imagination. That one aspect was that representatives from the British Bankers Association had been to see the Treasury to discuss possible market distortions, to which I shall come back in due course.

At Treasury questions last Thursday, the Chancellor put everything down to the business plan: he said that everybody would have to wait for that and that there would be no answers to any questions until then. The Chancellor also said:

"We have had many discussions with the Commission"—[*Official Report*, 6 March 2008; Vol. 472, c. 1896.]

I find that particularly interesting. I shall come to the role of the European Commission.

Before we rush into a new regulatory regime, we urgently need to have a look at what has been going on in this institution, which we own, in the past two and a half weeks. As I mentioned during the Second Reading of the Banking (Special Provisions) Bill, I worked on a trading floor for eight years in the 1990s. Bank regulation is not my specialist field, but I know rather a lot about banking malpractice in respect of risk control, risk management and related issues and about the effect it can have on the markets. What I have seen in Northern Rock since 22 February has been an institution whose behaviour, even since nationalisation, has carried on being reckless and unsustainable. That is very serious given that we, the people, now own it.

Let me start with the foreign subsidiaries. *[Interruption.]* A couple of hon. Members are looking at me as if to ask, "What are those foreign subsidiaries?" I mentioned the *Financial Times* earlier. On 23 February, the day following nationalisation, its editorial said that the European Commission would not intervene. It added:

"Northern Rock also has the advantage of operating exclusively in the UK.

The Commission is more likely to give a government a free hand when the only economy being distorted is its own."

The *Financial Times* certainly thought that Northern Rock was exclusively a UK business.

I shall start by considering the Danish subsidiary. Its website, available in Danish and English, mentions "swilling interest" next to a picture of a large, bloated pig—an interesting way of marketing products in Denmark. The Danish subsidiary shows that Northern Rock is being reckless with UK taxpayers' money. The bank is both subsidising and guaranteeing above-market savers' rates to 10,000 Danish depositors—10,000 and counting, very rapidly. In the week after nationalisation, the website welcomed visitors to Northern Rock Denmark, saying that it was open for "business as usual". Under the heading "Temporary Public Ownership: What It Means For You", it stated:

"Your savings with Northern Rock continue to be safe and secure, protected by the UK government guarantee arrangements".

Why are the UK Government both guaranteeing and subsidising above-market interest rates to savers in Denmark? For one year, the UK Government will give 4.09 per cent. The Copenhagen inter-bank offered rate, or CIBOR, is currently about $4^5/_8$ per cent., so why are the UK Government paying Danish savers 5 per cent. through Northern Rock's Danish subsidiary? The website of Northern Rock's Irish subsidiary also mentions "business as usual". It gives a fixed rate for euros of 5 per cent.—staggeringly high, considering that the euro LIBOR is currently at 4.25 per cent.

Let us turn to Northern Rock Guernsey, the offshore aspect of the bank. That subsidiary also offers an interesting set of products. Its website states:

"Investing offshore is the perfect solution for expatriates, foreign nationals or UK residents wishing to take advantage of tax planning opportunities".

So a UK taxpayer-owned bank is enticing UK taxpayers to avoid paying UK tax. That is all at our expense. The website says:

"Northern Rock's operations in Guernsey remain open for business as usual".

What rates does that subsidiary offer? Offshore in Guernsey, someone can buy a Northern Rock bond that will yield 6.75 per cent. for a year; UK gilts currently pay 3.86 per cent.—one gets almost 300 basis points more for sticking money, at the UK Government's risk, in Guernsey than for keeping it in the UK. The same is true for money invested over three years: one can get 6.4 per cent. from Northern Rock Guernsey, compared to a gilt yield over the same period of 3.83 per cent. Staggeringly, a UK Government-owned bank is enticing UK taxpayers to invest offshore to avoid tax in this country.

Finally, let us look at what is going on in our home market. There are extraordinary Northern Rock products that not only pay a very above-market interest rate, but have extraordinary conditions extremely favourable to the saver. I point hon. Members to the fixed-rate access bond issue 4. If someone invests a minimum of £1, they will get from that 6 per cent. for one year, effective from 4 March. Similar products from Barclays offer only 5 per cent. with a minimum of £500 and no access to the money during the year. Alliance & Leicester will also pay 5 per cent. on its fixed-rate bonds for one year, but early withdrawal costs 180 days'—half a year's—interest. That offer has a £1,000 minimum. Alliance & Leicester, of course, has been in the news quite a bit recently for possibly being under pressure in the market for reasons similar to Northern Rock's. Yet the Northern Rock product offers a 6 per cent. interest rate—far higher than that offered by Alliance & Leicester or Barclays. Not only that, the Northern Rock product has this important clause:

"Withdrawals can be made without any notice or charges".

That is what is called a putable deposit. If interest rates rose, savers could easily pull their money out and stick it in a higher-yielding account, which would become available in an environment of rising interest rates. That is an incredibly useful option for the depositor.

Why is Northern Rock, not only through its foreign subsidiaries but in this country, offering incredibly high, above-market interest rates? We need to consider those issues before we start discussing changing the regulatory regime. We need to look at what has been going on in the past two and half weeks; some staggering things have been happening.

In the past, the focus has been on Northern Rock's reckless lending, but the bank has also been borrowing recklessly. As we know, Britain has the lowest savings rate of anywhere in the EU, and Northern Rock has been forced to go to countries such as Denmark and Ireland, and offshore, to hoover up savings from countries with higher savings rates.

What can we do to seek reform? We need to consider risk management at Northern Rock. We know nothing about what controls and risk management measures are in place at this new bank that we have taken on. It is no use our waiting for the business plan, because the risk is here right now. We could be exposed to any number of risks—systemic risk, event risk, the risk from rogue traders—through today's Northern Rock. Who knows what risk management there is in place at the moment?

Since I left banking in 1997, there has been huge growth in risk management, which is now a major part of most of our financial institutions. In my day, there were three or four risk management people out in the back, next to the legal compliance people and others with what in those days were called "peripheral functions". Now, however, risk management is right at the centre. Unfortunately, we know nothing about the risk management of this new institution. There was clearly a failure in the risk management of Northern Rock in the summer of 2007, and before, when we saw LIBOR rising and the risk of the drying up of liquidity in the inter-bank market. The possibility of that happening should have been foreseen in Northern Rock's risk management structure and policy. There is no reason to believe that that has changed one bit since 22 February; I rather suspect that the same individuals are in charge of it today as were there three weeks ago.

How is Northern Rock managing its currency risk? I have just talked about its foreign subsidiaries. How is it managing the risk as regards having to repay those Danish savers in Danish krone in a year's time? Similarly, with the Irish savers, what kind of currency risk management is being undertaken in relation to the euro? What is its interest rate risk management strategy? It is offering a large number of fixed rate savings products, yet most of its mortgage lending is variable, as is most of its wholesale funding—if that is happening, as I suspect it now is.

What is the political risk? It is by no stretch of the imagination impossible that there could be political risk in a state-owned bank; indeed, it happens all the time. Bankgesellschaft Berlin, a German financial institution, got into severe difficulties only five years ago because of inappropriate lending due to political influence. We heard on Second Reading the extraordinary statement by the Chief Secretary to the Treasury that one of the reasons for the speed of the nationalisation of Northern Rock and the urgency behind taking over this £50 billion-odd mortgage portfolio was that we were at the "bottom of the market". I do not know which market she was referring to—the housing market, the mortgage market or the interest rate market—but she was taking a massive punt on whatever market it was, and she offered no evidence to back up her decision.

What kind of scrutiny are we going to give Northern Rock in this House? Last week, I tabled a set of questions to ask exactly how we are going to study this £110 billion business that we now own. Will there be a Question Time? If, as we did earlier, we have a 10-minute Question Time on the Olympic games, which has a budget of only £9 billion, should we not have a separate Question Time on Northern Rock, which is a £110 billion business? With the honourable exception of my hon. Friends at Question Time last Thursday, there has been woefully little parliamentary scrutiny of Northern Rock since nationalisation.

My professional experience in banking predates the tripartite regime, so I cannot comment on how effective it is. I have found time to read the Treasury Committee's report—possibly the first time that I have read a Select Committee report not produced by one of the two Committees I sit on. Like other Members on both sides of the House, notably my hon. Friend the Member for Sevenoaks (Mr. Fallon), I urge caution against over-hasty and over-heavy regulation in reaction to one event. I have seen some of the major financial scandals and failures of the past 20 years, including in the 1990s. I was there during the Hammersmith and Fulham council swaps scandal. In the early '90s, the Belgian Ministry of Finance lost an enormous amount of money betting on convergence of European interest rates. Then there were the cases of Orange county, the US army facilities management fund and Barings bank. There are not necessarily common features to all those disasters. To some extent, there always will be financial failures. It is our duty as a Parliament to create an oversight structure that seeks to prevent them and to prepare for the consequences, but we have to balance that with a duty to ensure that business is not impeded or encumbered.

We need to act cautiously in changing the regulatory system, but we must act urgently to consider the situation that we now face and to ensure that proper risk management controls are in place at this new Government Department called Northern Rock bank. In other words, we need to think about banking regulatory reform, but the more urgent and important issue is what our arrangements are for the oversight of Northern Rock, which is continuing many of the practices that were in place before nationalisation in an often dangerous and reckless manner.

7.4 pm

Mr. Philip Dunne (Ludlow) (Con): I am pleased to be able to contribute to the tail end of this debate.

The Treasury Committee report is a fine example of a Select Committee having undertaken relevant, topical and timely work, and it is the only independent investigation into affairs surrounding the run on the Rock that has been published so far. I congratulate the Chairman and other members of the Committee, on which I sit, on conducting the hearings that we did and producing a unanimous report. As has been said by Members on both sides of the House, it has captured the imagination of policy makers and commentators as being of value. It is a shame that the Government have not yet grasped some of our recommendations, and I hope that the Financial Secretary will pick up on some of them.

[Mr. Philip Dunne]

I should like to touch on some of the lessons from the past for Northern Rock before looking forward. The hon. Member for Leeds, East (Mr. Mudie) referred to the tulip bubble and to the American sovereign debt crisis, and my hon. Friend the Member for Hammersmith and Fulham (Mr. Hands) mentioned problems closer to home—at least, closer to his constituency. Financial institutions do go bust. Periodically, there is a herd mentality in financial markets. That is within human nature, and it is not possible to regulate against it. As a consequence, one arrives at extremes, on the way up and on the way down, in any financial market. We would be ill advised to think that one set of banking reforms can call a halt to that process.

The last mortgage bank in this country to fail was National Mortgage Bank in 1992. Although it was much smaller than Northern Rock, there are many parallels. Not least, it was owned by a quoted company, National Home Loans; it relied on wholesale funding, mostly foreign banks; and its business model was not robust when working capital became scarce. In that case, the then deputy governor was able to deploy his famous eyebrows to nominate Barclays to put together a syndicate of 26 banks to provide the required funding, which was covertly guaranteed by the Bank of England. Eddie George, for it was he, did so to protect the reputation of British banking among foreign banks, which were the entities due to lose out from the crisis. Unfortunately, the parallels in the conduct of the Northern Rock case have not enhanced the reputation of regulators or of the Government. Last week, the Chairman of the Select Committee and I attended a debate in the City about whether the case has affected the City's reputation. The commentators present were more or less united in the view that the City survives these periodic crises, but the reputation of the regulators and, by extension, that of the Government, suffer. I think that that is regrettably the case.

The role of the banking regulators should not be to protect individual banks from the folly of their conduct, but to limit damage in the event of a failure leading to a systemic problem infecting other financial institutions. When the tripartite arrangements were set up 10 years ago, the focus was very much on giving the Bank of England, through the Monetary Policy Committee, the power to set interest rates and to remove that from the political process. Much less attention was given to the regulatory regime for supervision that was put in place at the same time. There was talk of having a new paradigm, with no prospect of a major bank getting into difficulty. As a consequence, as we discovered through the Select Committee inquiries, no stress test was undertaken, when the system was set up or since, on a major bank—that is, one of the top dozen—getting into financial difficulty. That is a fundamental failing of the regime that was set up 10 years ago, from which we need to learn a lesson.

There are some specific lessons to take from the Northern Rock experience. Although we say in our report that there was systemic risk, there were conflicting views at the time when the crisis was unfolding. Who knows how history will look at this with the benefit of hindsight, but people may take a different view from those of us on the front line.

At that time, during August, the Governor of the Bank of England initially appeared to think that there was not a systemic risk, as he was resting on the moral hazard argument that we touched on earlier. The Chancellor, perhaps concerned about the political ramifications, thought that there was moral hazard, but it took him a long time to recognise that, and he stepped in only when the queues were snaking round from the Northern Rock branch front doors. The Financial Services Authority seemed to think that there was a problem, but was not in a position to force the sort of quick decision making needed to get a grip on the crisis.

There were four distinct phases to the crisis that I should like briefly to mention. It is instructive to identify what went wrong in order to decide what needs to be put right. First, in the year leading up to 9 August, various signals were issued by market commentators, and by the Bank of England in January and the FSA in April, that reliance for funding on credit markets internationally was of concern, particularly given the emerging developments in the US sub-prime mortgage sector. Those warnings were not acted upon by the board of Northern Rock, which failed to put in place stand-by lines of credit in the event that its securitisation programmes could not be rolled over.

The bank's business model, in terms of growing its market share, was clearly reckless, as has been touched on by the hon. Member for Twickenham (Dr. Cable). At a time when house prices in the UK were hitting record highs, this bank was extending its market share dramatically; in the first half of 2007, it captured 19 per cent. of new mortgage advances, compared with its overall market share of 8 per cent.—the former is some 2.3 times higher. At the same time, other major mortgage lenders, such as Nationwide, were reducing their new business exposure. If the regulators did pick that up, they failed to persuade the board to do anything to moderate Northern Rock's rate of expansion.

The second phase covered the period from 9 August, when the credit crisis struck and closed down the securitisation markets, until 10 September, the date on which the Chancellor finally declined the offer of a lender of last resort facility to Lloyds TSB. Lloyds TSB had indicated that it would be prepared to make an offer should such a facility be available, but only in those circumstances. During that month-long period, the lack of experience of handling a stricken bank in a crisis was exposed at the Bank of England, where, famously, no one was specifically in charge; at the FSA, which consistently advised the Chancellor that Northern Rock was solvent; and at the Treasury, where a new ministerial team had only just been appointed with no one aside from the Chancellor having any prior experience in the Department, and with no senior officials with experience of a previous banking crisis. Advice to the Chancellor on whether a covert operation could be undertaken was confused, with the Bank of England convinced that the market abuse directive prevented covert activities, despite subsequent denials by the European Central Bank and the European Union commissioner, and the evidence of facilities provided to continental banks in a similar situation.

The third phase was a short one, lasting from Monday 10 September to Monday 17 September. That was the period in which critical decisions, or a lack of timely decision making, actively contributed to the run on the

bank. Once the Lloyds TSB offer was finally terminated, the Chancellor and his advisers should have acted far more rapidly to get a grip on the developing crisis. Specifically, they should have confirmed the deposit guarantee at the same time as announcing the lender of last resort facility. It was that lack of action on deposits that led to the queues around Northern Rock branches.

The final phase lasted from the announcement of Government support on 17 September, which was extended on 9 October, until final nationalisation on 22 February, more than five months later. That delay speaks volumes about the lack of experience in the Treasury in handling such crises. Every previous banking crisis has been handled as rapidly as possible, from Johnson Matthey to Barings, or the National Home Loans crisis to which I referred earlier. Those were all handled within a week—sometimes over a weekend. The failure to find a credible private sector buyer should have been apparent when the remaining bidders in December were clearly insubstantial and not credible.

Now the bank has been nationalised, one or two issues need to be addressed. The business plan referred to by my hon. Friend the Member for Hammersmith and Fulham (Mr. Hands) is clearly critical, and the Government have agreed, somewhat reluctantly, that it will be published once it has been finalised by Mr. Sandler. The plan is critical to Northern Rock's relationship with its funding entity Granite, and to the quality of loans—the asset base that the FSA has consistently said is of high quality. The hon. Member for Twickenham has said that it may not be so sound.

Granite has not been nationalised, but its securitisation issues are backed by Northern Rock mortgages. Northern Rock is obliged to top up that security package if mortgage repayments or redemptions exceed the rate of maturity of the securitisation issues. We learned that, from the September period until nationalisation, no additional mortgages have been provided to Granite by Northern Rock. That can last for a while, but at some stage—I would argue that it will be when the two-year interest rate fixed terms expire at around January of next year—unless very attractive rates are offered, mortgages will be redeemed at what may be a more rapid rate than hitherto.

If Granite's security package declines and Northern Rock cannot refresh the mortgages that it provides for that underlying security, an accelerated amortisation will be triggered and Granite will be compelled to liquidate at whatever price it can get for its remaining assets. At that point, Granite's structure will implode, Northern Rock will suffer losses on its 16 per cent. share of the mortgages in Granite, and the taxpayer will lose substantial sums—substantially more than we have been led to believe by the Chancellor. He says that, with business as usual, there will be no loss. The expression "business as usual" is critical, and I shall return to that point.

I have four points to make on banking reform, some of which have been touched on by others. First, we need to fix the bust tripartite regime. The Chancellor's proposals for banking reform seem to reward the FSA and give it the primary role. But supervisors are not bankers; there is a fundamental flaw to that idea. The supervisors who monitor a bank have a vested interest, once it goes wrong, in validating the quality of its assets. The situation would be the same for individuals who put loans on to the balance sheet in the first place. As soon as a bank goes wrong, they must be taken off the case because they have a vested interest in arguing that the loans are good.

As the hon. Member for Leeds, East mentioned, we learned only today, as a result of a freedom of information request, that five out of the seven individuals in the FSA with some responsibility for supervising Northern Rock have now left their posts. All of them should have left their posts within a few days of the situation going wrong. They should have been replaced by experts who are accustomed to dealing with bank work-outs.

Secondly, on the Bank of England, the Treasury Committee made a recommendation in its report with which I wholeheartedly agree. We should establish an individual in the Bank with the credibility that stems from the title of deputy governor who has responsibility, as the head of financial stability, for maintaining relationships and running a stricken bank in crisis. It was interesting to me that the right hon. Member for Norwich, South (Mr. Clarke) came into the Chamber specifically to support that recommendation, and I hope that the Financial Secretary will give us her initial view of it. There is clearly widespread support for it throughout the House.

On the subject of deposit protection, it is agreed that small depositors need to be protected. Had 100 per cent. protection existed up to the £35,000 level, which is now in place, the run on the bank would not have occurred. I have some questions—I raised them in Committee, but I went along with the report—about the feasibility of a pre-funding scheme for depositor protection. It is a good idea but it needs to happen over a prolonged period. Banks currently lack trust in each other and are therefore not lending money. To some extent, that gives them a bit of liquidity on their balance sheets, but as we experience weekly, a new sector of the financial community is calling in facilities. The banks therefore need their facilities to fund their obligations, and if we imposed a significant additional obligation to provide funding for a deposit protection scheme, we would be doing so at precisely the wrong time. It would aggravate the current liquidity crisis.

I suggest that the Financial Secretary examine the existing deposits that commercial banks have with the Bank of England. Some £2.7 billion is currently sitting on deposit. Interest on that money funds the operations of the Bank of England, but also generates a profit for the Treasury. That profit could be used as an insurance policy to provide significantly greater insurance protection, or the capital sum could be used as a first call on a deposit protection scheme. Money is sitting there and I urge Treasury Ministers to consider those suggestions. The alternative is to build up such a fund gradually, over a period of years. However, that would inevitably run the risk of the good banks bailing out the poor banks, and I do not support that.

Thirdly, other hon. Members have mentioned capital adequacy. The Basel II regulations, which were introduced last year, need to be reconsidered by international bodies. As has been said, Northern Rock used Basel II to justify increasing its dividends as recently as last July. Banks are actively incentivised by Basel II to encourage debt of more than 365 days to be placed in off-balance-sheet vehicles. One reason that banks welcomed Basel II is

[Mr. Philip Dunne]

that it allowed them to take more of their existing commitments off balance sheet and have less capital on balance sheet. That seems a perverse incentive to me. A solution can be achieved only through international co-operation, and I hope that the Treasury and the Bank of England are actively engaged internationally with financial authorities to consider what adjustments need to be made, especially to capital adequacy but also to banking reforms.

Fourthly, other speakers have mentioned credit rating agencies. We discovered in the Committee an inherent and multiple conflict of interest at work. I found it extraordinary that, according to Standard and Poor's figures, the credit rating agencies currently give 570 corporates, financial institutions, insurance companies and sovereign issuers a triple A rating while, as at the end of last year, they gave 9,418 special investment vehicles a triple A rating. That large disparity has mushroomed in recent years and clearly drives the credit rating agencies' business model. We need more competition and that needs to be achieved on an international basis. This country cannot start imposing a regime on only credit rating agencies that operate here, because that would drive the securitisation business offshore, and we clearly do not need to do that.

What will we do when the next crisis arrives? The impact of global credit contraction is not yet over. The initial impact has been on the banks, from bailing out their off-balance-sheet vehicles. It recently struck the monoline insurers and is now affecting the hedge fund community. Where will it strike next? There is little clear understanding of where leveraged securities are held in the financial system. We should not be surprised if insurance companies emerge with lower bonuses and significant holdings, especially in countries such as Japan, where they have been desperate for yield, with such low interest rates. We should not surprised if pension funds are affected.

Northern Rock was fundamentally a domestic business, although my hon. Friend the Member for Hammersmith and Fulham said that it is now conducting activities in three other jurisdictions, which was news to the House. No nation's central bank is large enough to cope with the failure of a major bank. What will the Chancellor do if a similar sized—or, heaven help us, larger—bank needs help? The latest legislation gives the Treasury the power to step in during the next year until the banking reform Bill is in place. A much wider framework of solutions is needed. Rather than hoping and praying that something else will not happen to this country, we need to work with international organisations and devise an international framework of supervision, which will be effective as and when the larger crisis occurs.

7.25 pm

Mr. Mark Hoban (Fareham) (Con): The debate has been conducted in a measured and reasonable tone. I congratulate my hon. Friends the Members for Sevenoaks (Mr. Fallon) and for Cities of London and Westminster (Mr. Field), my right hon. Friend the Member for Hitchin and Harpenden (Mr. Lilley) and my hon. Friends the Members for Hammersmith and Fulham (Mr. Hands) and for Ludlow (Mr. Dunne) on their contributions, as well as the hon. Members for Twickenham (Dr. Cable) and for Caithness, Sutherland and Easter Ross (John Thurso) and the right hon. Member for Holborn and St. Pancras (Frank Dobson), who presented a stout defence of old Labour's values, but seemed sadly out of place in today's Chamber and today's Labour party. I also congratulate the right hon. Member for Norwich, South (Mr. Clarke), the hon. Members for West Bromwich, West (Mr. Bailey), for Leeds, East (Mr. Mudie) and for Northampton, North (Ms Keeble), and especially the right hon. Member for West Dunbartonshire (John McFall).

The right hon. Member for West Dunbartonshire opened the debate in characteristically understated fashion and thus made the Treasury Committee's critique of the events of the past few months all the more devastating. The Committee's report, which found consensus among its members, sets out some of the major issues that we need to face when considering banking reform, and analysed thoroughly the reasons for the position today, whereby the Government have nationalised Northern Rock.

We all accept that the credit crunch is a global problem and that it was and remains a significant challenge to financial markets and Governments. It was also a significant test of the tripartite arrangements, which the Prime Minister introduced and which were found wanting. The hon. Members for Leeds, East and for Caithness, Sutherland and Easter Ross said that perhaps the people involved contributed to the problem. However, I strongly believe that any institution that is set up to regulate the financial services sector should be effective, regardless of who fulfils the roles of, for example, chairman of the Financial Services Authority, Governor of the Bank of England or even Chancellor of the Exchequer. Those arrangements should work whether it is the first or last day of someone's time in office. When we consider the Government's reforms, which they will introduce later this year, we must ensure that they work regardless of the personnel involved.

As the report makes clear, there are concerns about the regulatory supervision of Northern Rock by the FSA—it goes into some detail about that. We should welcome the fact that the FSA is conducting its own review of its relationship with Northern Rock.

The report also highlights the role of the Bank of England and the provision of liquidity in the market. I believe that the report is right when it says that it is difficult to assess whether the Bank of England, by responding to calls from other financial institutions to increase liquidity, would have prevented Northern Rock's problems from emerging. There is no clear cut case one way or the other.

The most telling criticism of the events of the past few months focuses on the steps that were taken when it was decided that the Bank of England should act as lender of last resort. The mishandling of the announcement triggered the panic on our high streets and led to the Government being forced to announce the guarantees on Monday 17 September. It was clear that the tripartite authorities expected that the announcement could have a negative impact on depositors. Sir John Gieve, whom the report quotes, said:

> "In the event we knew that there was a risk that that balance would go the wrong way and it did."

The Governor of the Bank of England said:

"The nature of a bank run is that it is a knife edge: it might happen, it might not. That is exactly why a bank run is so difficult to handle."

I believe that that view was supported by Callum McCarthy. Given that uncertainty about how the announcement about lender of last resort status would be taken by the depositors, it is regrettable that more thought was not given to the contingency plans that should be in place or the handling of the announcement.

I was interested in the comments that the right hon. Member for Norwich, South made, when he contrasted what happened in September with his experience of the events in London of 7 July 2005. They were two very different experiences, but the fact that there was a well organised and well oiled machine in place on 7 July is in stark contrast with what happened in the days around the Bank of England's declaration that it would extend facilities to Northern Rock. Insufficient thought had gone into the presentation of that decision, which did not go down well with the electorate or Northern Rock's depositors.

Once people saw the queues running round the block, that triggered the questions: what do we do now? What is our contingency plan? Again, it was clear that insufficient thought had gone into the guarantees and related issues, and that the discussion on the guarantees was not brought to the attention of the principals until 16 September, which was the day before they were made. It therefore appears that the response to the run was cobbled together, rather than being part of a long-planned-for procedure.

Comments have been made about war-gaming and whether people should have gone through the scenarios. It is clear from the report that there had been some wa-gaming and discussion about what should happen. The Governor of the Bank of England pointed out—again, this is supported by the chairman of the FSA—that more work needed to be done on the arrangements for handling a banking crisis. The Governor described that work as urgent, but unfortunately it did not proceed with an appropriate degree of urgency. As a consequence, when the banking crisis happened in September, the arrangements were not in place to handle the situation in a way that would give confidence to depositors at an important moment.

Having identified the risks two or three years ago, the Government did not prepare for a banking crisis and did not take the action that the Governor had said should be taken, which created a problem in the long term. Consequently, when the arrangements that were put together by the Prime Minister faced their first test, they failed because of a lack of leadership and a lack of preparation. The Treasury should take ultimate responsibility for those problems.

Let us consider the actions that we need to take. There is common ground on the need to intervene earlier to prevent the deterioration of a bank's position. The shadow Chancellor, my hon. Friend the Member for Tatton (Mr. Osborne), made that argument in December and the Chancellor has adopted that approach. Rather like the Treasury Committee and the right hon. Member for Norwich, South, we believe that the powers for early intervention should rest with the Bank, not the FSA, which flows from the Bank's role in money markets and its responsibility for monetary policy. Also, the fact that it acts as the lender of last resort means that it should have the powers to intervene. That will lead to some overlap between the Bank and the FSA, but the Treasury Committee was right to talk about the need for

"'creative tension' within the regulatory system".

It is right to have that tension there and to create institutional arrangements that are perhaps not as tidy, but which would be more effective. We also believe that the deputy governor's role in respect of financial stability should be enhanced and that an experienced banker should fill that role, as an understanding of financial markets and institutions will be critical to the Bank's wider powers of intervention.

We have advocated a special resolution regime for the banks concerned. There should also be powers to ensure that deposits protected by the deposit insurance scheme are ring-fenced.

I shall talk briefly about the deposit protection scheme. It is important that the scheme should provide reassurance to customers when there is a banking crisis. It is right to revisit the scheme in the light of the problems that we have seen. We believe that it is right to increase the cover to £50,000 and, crucially, to streamline the administration of the scheme so that protected deposits are paid out quickly, which again should reassure consumers. We differ from the Treasury Committee in that we believe that the scheme should be not a pre-funded scheme, but a post-funded scheme. A pre-funded scheme would impose an additional unnecessary cost on banks and other deposit takers, which would be borne by customers and shareholders. Deposit protection schemes should be a safety net. We should have a regulatory system that is predicated on effective regulation and the prevention of crises, rather than one focused on picking up the cost of failure.

As both the British Bankers Association and the CBI have made clear in recent days, it is important that we should get those reforms in the banking sector right. My hon. Friend the Member for Sevenoaks was right to be sceptical of the benefits that further regulation could introduce. We have seen the impact of the Sarbanes-Oxley rules on financial markets in the US and we cannot afford to make the same mistakes in this country.

We are still left with unfinished business in connection with Northern Rock. The nationalisation of Northern Rock is not an end in itself and is meant to be only temporary. However, no one can quite tell us how long "temporary" is meant to be, so perhaps the Financial Secretary could clarify that this evening. We are still waiting for the Treasury to bring forward the framework agreement between itself and Northern Rock's management setting out the strategic direction of the nationalised business. We are still awaiting the business plan from Ron Sandler, which will determine the future size and shape of Northern Rock. I should be grateful if the Financial Secretary could clarify further when we might expect to see both the framework agreement and the business plan.

The cynic might think that the publication of those documents has been delayed to avoid the political fallout if the strategic objectives and the business plan require a shrinking of Northern Rock's staff, which would be particularly damaging to the Labour party in

[Mr. Mark Hoban]

the north-east. I hope that the publication of those documents will not be delayed until after the local elections at the start of May, because that would do a great disservice to the taxpayers and would go to the heart of the point that my hon. Friend the Member for Hammersmith and Fulham made about insufficient accountability and transparency to the House about the operations of what has been referred to as the people's bank.

We also know that widespread concerns have been expressed about the anti-competitive impact that the Government's guarantees for Northern Rock could have on the markets for mortgages and savings products. We welcome the assurances given during the passage of the Banking (Special Provisions) Act 2008 that the Office of Fair Trading would play a significant role in monitoring that. Could the Minister update us on how discussions with the BBA and the Building Societies Association on that issue are being pursued?

One issue that has perpetually dogged the debate about Northern Rock is the treatment of Granite, which my hon. Friend the Member for Ludlow has raised persistently over weeks, as has the hon. Member for Twickenham. There is a debate about what liabilities the taxpayer has taken on—again, that is reflected in the supplementary estimate, which comments that our liabilities are "unquantifiable". The Office for National Statistics is clear that they include Granite. That was the thrust of the ONS's evidence to the Treasury Committee last week, when Martin Kellaway said:

> "The Granite securitisation is complex. To whom do the risks and rewards accrue? They accrue to Northern Rock".

On that basis, taxpayers will bear the risk of Granite's funding, but the Chancellor in his letter to the hon. Member for Twickenham said:

> "Granite and only Granite is liable to its bondholders under any scenario. The Government has not provided any guarantee arrangements to...bondholders."

Will the Minister tell us who is right? Is it the ONS, which is the custodian of the true figures for Government debt, or is it the Chancellor who wants to keep those debts off the Government's balance sheet and avoid the Government's fiscal rules being breached if they exceed 40 per cent. of GDP?

The Government cannot continue trying to deny the fact that the taxpayer has taken on significant obligations through the nationalisation of Northern Rock. It is time that the fiscal rules and the measurement of the Government's debt properly took into account Northern Rock's full liabilities, so that taxpayers will know the risk that they are exposed to, as a consequence of nationalisation. That is the big gap that we seem to have in this debate. Whether in respect of the quality of the assets that have been acquired by nationalisation or the taxpayer's exposure, we need to do much more work to ensure the transparency of Northern Rock to the taxpayer and the House.

No one should dismiss what happened to Northern Rock as simply the consequence of a global credit crunch. As the report indicates, Northern Rock's problems, although created by its management and their strategy, have become a headache for each and every one of us, as a consequence of the mismanagement of the crisis. I am afraid that that mismanagement is down to the Government, who must shoulder the blame for every taxpayer in the country having a second mortgage on their homes as a consequence of the nationalisation of Northern Rock.

7.40 pm

The Financial Secretary to the Treasury (Jane Kennedy): It is pleasure to follow the hon. Member for Fareham (Mr. Hoban), and I agree with his opening comments on the quality of the debate; the tone in which it has been conducted has been exemplary. I compliment my right hon. Friend the Member for West Dunbartonshire (John McFall) on introducing the debate, and I compliment the work of his Select Committee on its report, a large part of which we acknowledge has huge merit. The Select Committee clearly cherishes the report, as witnessed by the number of the members of the Committee who have taken part in the debate this evening. Even the hon. Member for Ludlow (Mr. Dunne) has stayed throughout, despite struggling with his voice.

I will try to respond in a way that does the debate justice, as is always the case with debate of this nature. If any hon. Member is looking over my shoulder, they should not be surprised to see a great deal of red on my prepared notes. I will try to deal with a number of points, but I hope that hon. Members who have raised issues that have been well rehearsed will forgive me for perhaps focusing on some of the other issues that the Select Committee report has quite properly raised, to which it is important that I give an early response or an indication of what our response might be.

Just for a moment or two, I shall set out my version of the background. A number of Members have offered their versions and some interesting analysis of what happened and why the circumstances came about. As hon. Members will know, not least because of the detailed description of last summer's events in the Select Committee's report, the emergence of problems in the American sub-prime mortgage market led to banks either lending money to one another at much higher rates than previously or not doing so at all. That, in turn, created severe problems for Northern Rock in accessing the financing that its business model relied on, and it had no alternative strategy to cope with those problems.

To prevent Northern Rock from going under, which would have risked instability spreading and serious consequences for the UK's financial system—something that hon. Members on both sides of the House generally accept—and to prevent risks to the wider economy, the Government authorised the Bank of England to provide special liquidity support, and the Government arrangements for retail and wholesale depositors were also put in place.

The Select Committee's report criticises the timing of those guarantee arrangements, but as the Chancellor made clear in his evidence to the Committee, it was not at all clear that an earlier announcement would have stopped the queues forming over the weekend. It was also important to be clear about exactly what was being guaranteed and to make an announcement once the markets had closed.

Since those events in September, the Government have explored every option to resolve the situation with regard to Northern Rock and to meet the three principles that we have consistently set out: protecting the taxpayer, protecting depositors and maintaining financial stability.

Mr. Hands: May I ask the Financial Secretary a quick question about Northern Rock Guernsey? Its prospectus on its website says:

"Northern Rock (Guernsey)...does not accept applications from residents of the African continent with the exception of applications from residents of Egypt, South Africa and Zimbabwe".

What can she tell us about the offshore banking deposits in Northern Rock taken from residents of Zimbabwe?

Jane Kennedy: I acknowledged the expertise that the hon. Gentleman brings to the debate. *[Interruption.]* If he will allow me to continue and not just shout during my response to his remarks, he might hear one or two things that he might welcome. He has a very interesting analysis of what happened and he supports much, although not all, of the thrust of the Select Committee's report, but I hope that he will accept that that sort of detail is a matter for Northern Rock. We must leave such issues to the management of Northern Rock to take forward, because our arrangements for Northern Rock have been clearly made so that it is at arm's length. Those will be matters for the leadership to respond to in detail.

Mr. Dunne *rose—*

Jane Kennedy: I feel a little bit like my hon. Friend the Member for Leeds, East (Mr. Mudie), who feared that he might be attacked from all sides.

Mr. Dunne: The Financial Secretary referred earlier to the discussions with the EU competition authorities. Presumably, the fact that Northern Rock is currently providing above-market deposit rates will be of interest to the EU competition authorities.

Jane Kennedy: I could have made a point about that in response to the hon. Member for Hammersmith and Fulham (Mr. Hands), but we have covered such areas many times before—*[Interruption]*—not in the detail that he mentioned, but I hope that the hon. Member for Ludlow will accept all the issues raised in today's debate and the detail that the Select Committee has included in its report will be looked at very carefully by the Government. We are engaged in a detailed consultation. Opposition Members in particular have criticised us for not doing more, but I draw to their attention—they may have failed to see it—the very significant response that has been included in a well-received consultation document that responds in many respects, although not all, to some of the Select Committee's recommendations. It is entirely appropriate that we now learn the lessons of the experience of last summer and the decisions and circumstances that led us to nationalise Northern Rock.

The decision to nationalise was taken some weeks after the Select Committee had completed its work, but none the less, we can take into account what then happened and look at the detail of its report and the Government's response to date with, I hope, a positive outlook.

My right hon. Friend the Member for West Dunbartonshire said that there was too much political involvement in Government proposals for a Cobra-style arrangement during the crisis. A number of hon. Members raised that issue. The Government are consulting on how such arrangements should operate in practice and which institution is involved in which circumstances. Beyond that, we agree with my right hon. Friend that the Chancellor should have the final say on any decision that involves money and that the Bank of England is responsible for the provision of general liquidity. The House may want to know that the memorandum of understanding between the three authorities will also be revised to clarify responsibilities for decisions taken in a crisis.

My right hon. Friend the Member for West Dunbartonshire—again, along with other Members—questioned whether the FSA failed in its regulation of liquidity risk. Primary responsibility for liquidity risk management by banks lies with banks' boards and management—that is a difficult sentence to get out—and that theme runs through our whole response to this situation. The FSA is reviewing its regulation of liquidity risk in the light of the recent events to learn lessons from market turbulence. The FSA published a discussion paper in December that sets out preliminary ideas for reform. It had a very good response to that document, and it is considering further how to respond to those responses. There is an ongoing debate about how it should respond.

A number of hon. Members asked about international work. The FSA is considering responses to the discussion paper and in the context of ongoing international work on liquidity by the Basel Committee, which a number of hon. Members have mentioned. The FSA expects to publish more definitive proposals in the summer of 2008.

My right hon. Friend also said that the FSA should work more closely with the boards of banks to identify issues early and take corrective action quickly. As set out in the tripartite consultation to which I have referred, the FSA intends to consult on new rules to require banks to produce additional evidence to the FSA at short notice, including strategies for correcting any problem identified.

My right hon. Friend the Member for Norwich, South (Mr. Clarke), who has not rejoined us, argued very passionately and persuasively—as did a number of other Members, including most lately the hon. Members for Ludlow and for Fareham—for a new deputy governor and head of financial stability. All those Members will have seen that we proposed changes to the governance arrangements relating to the Court of the Bank of England to enhance its effectiveness, particularly in respect of financial stability. We also propose establishing a statutory role for the Bank of England again in respect of financial stability. These are ongoing consultations, and we do not seek to be prescriptive. We will listen to the representations in the ongoing debate around exactly what the new structure should be. The Government are thus taking these issues very seriously. As hon. Members will know, the Treasury, along with other tripartite authorities, published that discussion paper.

Let me deal now with the Government's proposals for banking reform, which several Members asked about.

[Jane Kennedy]

We are proposing reform around five core objectives and those proposals build on examples of best practice around the world, many of which are highlighted in the Treasury Committee's report. The hon. Member for Hammersmith and Fulham and the right hon. Member for Hitchin and Harpenden (Mr. Lilley) raised questions about international precedence, and the hon. Member for Twickenham (Dr. Cable) proposed the US model, about whose adoption the hon. Member for Hammersmith and Fulham advised caution. It is true that most industrialised countries have a regime for banks either defined in law—in the US and Japan, for example—or created by specific exemptions carved out for financial institutions from the general insolvency law, as in France and Italy. At that point I was particularly taken with the suggestion by my hon. Friend the Member for Leeds, East that we read the book, "A Random Walk Down Wall Street" if we have not already done so; I shall see whether there is a copy in the Library. I look forward to reading it.

The first objective of our reforms is to strengthen the stability and resilience of the financial system. That covers similar ground to the more recent Treasury Committee report on financial stability and transparency, which we also welcome—in relation to the operation of the securitisation markets, for example.

The second objective is to reduce the likelihood of banks' failing. That includes new powers for the Financial Services Authority to gather and share early information and to make improvements to the framework for the provision of liquidity assistance. I am very conscious that another debate is about to take place, Mr. Deputy Speaker, so I offer my regrets if I do not manage to cover all the issues that have been raised. They are all important, but I will try to cover those that I think the House would most like me to deal with.

A number of Members attacked, although some defended, the role of credit rating agencies. The current tripartite consultation to which I have referred identifies a number of causes for concern about the role of credit rating agencies, including conflicts of interest, the information content of ratings and over-reliance on ratings. We are supporting international work by the Financial Stability Forum and the European Union to look further into the role of rating agencies in financial markets. The Treasury, the Bank of England and the FSA are fully involved in those discussions, so I hope that that reassures not only those Members who had concerns about credit rating agencies but those who wanted to see us work more in an international context.

My hon. Friend the Member for West Bromwich, West (Mr. Bailey) asked a very good question: if the FSA did not use its powers, what was the point of giving it any more? That is a paraphrase of what he said. The FSA is reviewing its internal supervisory systems in the light of Northern Rock and it will publish some conclusions in the spring. My hon. Friend also asked why we do not treat building societies in the same way as banks. The authorities appreciate that building societies are fundamentally different from retail banks; however, they must mitigate the risk of a building society failing, so they are consulting on which parts of the special resolution regime should be applied to building societies. We propose that liquidity assistance provided by the Bank of England should be exempt from the calculation of the proportion of building society funding which arises from wholesale funding. That change, would remove an impediment to a building society being able to borrow from the Bank of England and would ensure that building societies are treated in a similar way to banks for these purposes.

I am very much up against the clock at this stage, but I cannot resist responding to my right hon. and dear Friend the Member for Holborn and St. Pancras (Frank Dobson), whose rumbustious contribution raised several always very interesting points. I would like to reassure him on one particular point—that interventions using special resolution tools, which interfered with shareholders' property rights, would be to secure the wider public interest in financial stability, the continuity of banking services and the protection of depositors. Very careful consideration would need to be given as to whether compensatable value remained in a bank where such interventions were necessary. In other words, shareholders are a long way down the list of those who will be considered for compensation.

This has been a very interesting debate, to which I have been privileged to listen and to be invited to respond. We have a wide-ranging set of proposals and the Government are committed to legislating on them as soon as possible—but only when we are satisfied that we secured the right response to the circumstances that we all lived through last summer. These proposals are only part of our work to learn the lessons from what has happened over the last six months or so. As the Chancellor has set out, we are also determined to play a full role in the European Union's and the international response to what has clearly been an international series of events. The UK is heavily involved in work at both the EU and the G7 level to analyse the causes of market turbulence and to develop an appropriate international response.

As I hope I have explained, the Government are looking closely at the issues raised by the Treasury Committee under the chairmanship of my right hon. Friend the Member for West Dunbartonshire. We will keep the Committee's views firmly in mind as we continue to consult on our proposals and as we take them forward to legislation.

Question deferred, pursuant to Standing Order No. 54(4) and (5) (Consideration of estimates).

Department for Transport

London Underground

[Relevant document: The Second Report from the Transport Committee, Session 2007-08, HC 45, on the London Underground and the public-private partnership agreements.]

Motion made, and Question proposed,

That, for the year ending with 31st March 2008, for expenditure by the Department for Transport—

(1) further resources, not exceeding £2,059,473,000, be authorised for use as set out in HC 273,

(2) a further sum, not exceeding £1,859,129,000, be granted to Her Majesty out of the Consolidated Fund to meet the costs as so set out, and

(3) limits as so set out be set on appropriations in aid.—*[Liz Blackman.]*

7.56 pm

Mrs. Louise Ellman (Liverpool, Riverside) (Lab/Co-op): I wish to record the apologies of my hon. Friend the Member for Crewe and Nantwich (Mrs. Dunwoody), the Chairman of the Transport Committee, who is recovering from illness.

I am very pleased, Mr. Deputy Speaker, that the House has the opportunity to consider the Transport Committee's report on London Underground and the public-private sector partnership agreements. The PPPs on London Underground are the Government's creation and have always been extremely controversial. This short inquiry centred, however, on the spectacular collapse of Metronet, one of two private sector consortiums that had signed 30-year PPP contracts to renovate and modernise specific parts of the London Underground. The two Metronet infracos went into administration on 18 July 2007 following the failure of an appeal to the PPP arbiter for additional funding through an increase in the infrastructure service charge.

As the Select Committee's report clearly documents, that was a double failure: it was a failure to deliver public services and it was a catastrophic financial failure. Contracts that were supposed to deliver 35 station upgrades over the first three years in fact delivered 14—a 40 per cent. delivery of the requirements. Stations that were supposed to cost Metronet-SSL £2 million in fact cost £7.5 million—375 per cent. over the anticipated cost. By November 2006, only 65 per cent. of scheduled track renewal had been achieved.

If that were not enough, the service delivery failure has come with a £2 billion financial tag—a tag reported tonight in the estimates' request for additional funding—which takes three forms. First, there is a £1.7 billion grant to Transport for London to cover Metronet's debts; and, secondly, a £158 million grant for Transport for London, which is understood to be the first instalment of the costs caused by Metronet's going into administration—and it is believed that the total cost of that is about £630 million. The third part is £150 million of further grant to Transport for London in recognition of the increased costs. I hope that the Minister will inform the House whether that is, indeed, the full bill and what the impact of approving that additional funding will be on other transport projects.

The Committee took evidence from the PPP's arbiter, Unite, the Transport Salaried Staffs Association, Tube Lines, the chairman of the Greater London assembly's transport committee, the former chairman of Metronet, the PPP administrator at Transport for London and the Secretary of State. The report reveals shocking deficiencies in the construction and operation of the failed PPP contracts. Those include a tied supply chain, with most of the capital expenditure contracts awarded to Metronet's parent companies—WS Atkins, Balfour Beatty, Bombardier, EDF Energy and Thames Water. Risk transfer was minimised with 95 per cent. of lenders' debt guaranteed by London Underground. In short, as the report concluded,

"the Metronet contract did nothing more than secure loans, 95 per cent. of which were in any case underwritten by the public purse, at an inflated cost—the worst of both possible worlds. As with the shareholders, what minimal risk was borne by Metronet's lenders was disproportionately well rewarded, at the expense of the tax and fare payer."

A reading of the Committee's report indicates that what has happened is nothing short of a national scandal.

The report identifies the failings of the PPP in both concept and practice, and makes recommendations for the future, suggesting that the PPP itself might be a flawed model, but indicating the importance of transparency and accountability to ensure efficiency and value for money in future, through a public or private sector vehicle. Following the collapse of Metronet, Transport for London was the only applicant to take over its work. In October last year, a memorandum of understanding was signed between the Department for Transport and Transport for London.

Important questions arise from the report and subsequent events, which I hope the Minister will be able to answer. How will the delay in Metronet coming out of administration affect what is to happen next, and how will it affect costs? It was anticipated that Metronet would come out of administration by 18 January. That has not happened. If finance for the future cannot be secured at reasonable terms, without guaranteeing the vast majority of the debt in the public sector, will loans direct to the Government be considered? Do the Government agree with the Committee's findings that there should be no further PPPs without a comprehensive assessment of genuine risk transfer? It is vital that the Government remember the catastrophic collapse of Metronet when its parent companies next bid for publicly funded work. That is extremely important, as is the future of the repairs and upgrades on the London underground.

The Government entered into the PPP, with great controversy, because of their concern about some inefficiencies in the public sector. However, it is important that they remember that when private companies fail to deliver on large public projects, those private companies can walk away and the taxpayer picks up the pieces. That is, indeed, what is happening with Metronet.

David Taylor (North-West Leicestershire) (Lab/Co-op): In the light of the powerful analysis in the report, which I warmly welcome having been a long-term and trenchant critic of PPP and its cousin, the private finance initiative, does my hon. Friend feel that there is a serious risk that, at some time in the short to medium term, Tube Lines will go the same way as Metronet? Does she agree that the way of avoiding the catastrophic costs and impact on the public is to take Tube Lines back in-house as

[David Taylor]

soon as possible so that its shareholders cannot meander quietly into the darkness of a tunnel to pocket their profits while we taxpayers have to underwrite their incompetence and veracity?

Mrs. Ellman: I share my hon. Friend's concerns. The Committee's recommends constant monitoring and that the requirement for annual reviews be followed to ensure public value for the money spent.

Mr. Nick Raynsford (Greenwich and Woolwich) (Lab): As a representative of the area served by Tube Lines, I am surprised to hear the views expressed by my hon. Friend the Member for North-West Leicestershire (David Taylor) and, indeed, by my hon. Friend the Member for Liverpool, Riverside (Mrs. Ellman), implying an absolute parallel between Tube Lines and Metronet. There is not. Our experience of Tube Lines' management of the Jubilee line has generally been very satisfactory. It has increased capacity and improved efficiency and performed good station updates, whereas the procurement of the Jubilee line under the traditional arrangements produced a serious cost overspend of about £1.5 billion and a much delayed introduction. I hope that my hon. Friend the Member for Liverpool, Riverside will give a more reasoned appraisal of the respective performances of the different PPP contractors, bearing in mind that although Metronet failed, it is not a basis for criticising the performance of Tube Lines.

Mrs. Ellman: I can assure my right hon. Friend that the Committee's evidence did not indicate a parallel between Metronet and Tube Lines. However, it would be prudent to take the lessons of what happened with Metronet's failure to ensure that it is not repeated.

As my right hon. Friends the Secretary of State and the Minister look ahead at what should happen now in order to take over from where Metronet failed, I hope that the Minister will give an assurance that the lessons of Metronet's failure have been learned, and that she will ensure that the public benefit from much-needed improvement on the underground and that they get value for money from the investment that goes into much-needed public services.

8.7 pm

Norman Baker (Lewes) (LD): May I say how collectively sorry we are that the hon. Member for Crewe and Nantwich (Mrs. Dunwoody) is not with us? I very much hope that the hon. Member for Liverpool, Riverside (Mrs. Ellman) will pass on my good wishes and doubtless those of colleagues on both sides of the House.

There is no doubt that this PPP has been a catastrophic and expensive failure, as the hon. Lady indicated; it has also been an avoidable one. There is no doubt that some of the measures put in place to set up the PPP were flawed from the beginning, and I shall come back to some of them. The consequences are the one or two lines in the enormous tome produced by the Treasury that sets out the billions of pounds of taxpayers' money that has been necessary to deal with the problem that was unnecessarily created. The Secretary of State herself called the measure "a terrible failure" when she gave evidence to the Committee, and the hon. Member for Liverpool, Riverside rightly referred to the failure to deliver stations and track maintenance and to get anywhere near meeting any of the targets that were set for Metronet.

It is worth going back to 1998, when the PPP was rushed through. Hon. Members may recall that at the time there was considerable uncertainty about whether the PPP was the correct course of action to follow. The Mayor, whatever else his faults, was clear that it was not the appropriate measure. He called the PPP "inherently unworkable". He even took High Court action—unsuccessfully—to stop it, whereas the Chancellor at the time, now Prime Minister, talked about the PPP in glowing terms, saying that it would remove the need for public subsidy entirely, which reminded me of the suggestion that nuclear power might be too cheap to meter. Perhaps we should mind the yawning gap between the Government's policy platform and the drain down which public finances roll.

This is the second debate today indicating a failure of the Treasury to get a hold on important financial matters. We had a debate on Northern Rock and now this debate on Metronet. Metronet has plenty of faults, but I want to come on to the Government, because they cannot escape the blame for the situation.

The Government have even managed to alienate some of their supporters who were in favour of PPP or PFI schemes. Jeremy Warner, the respected economic journalist, wrote in *The Independent* that the justifications for the PPP that needed to be met

"seem to have been largely trashed by the experience of Metronet".

One of them was that

"the private sector is likely to invest the money more efficiently than the state and so achieve a cheaper end result."

It is difficult to see how that has applied in the case of Metronet. Jeremy Warner also spoke of the PPP's sharing the risk of a cost overrun, which is difficult to justify in this case, given that London Underground has been landed with 95 per cent. of the debt.

The Liberal Democrats do not take the dogmatic view that PPP is always the right solution or always the wrong solution. I disagree with the Committee's absolute hostility to it, although I would add that the Government's trust and confidence in it has not been borne out by reality. As late as 18 July last year, the Prime Minister was still saying—in response to a question from my hon. Friend the Member for Twickenham (Dr. Cable)—

"If Metronet pulls out, another company will be found to take its place".—[*Official Report*, 18 July 2007; Vol. 463, c. 276.]

That was clearly the Government's preferred model at that stage, but of course it has not been possible to implement it.

Graham Stringer (Manchester, Blackley) (Lab): The hon. Gentleman was being uncharacteristically inaccurate and unfair to the Committee when he said that it was totally hostile to PPP. We examined what happened, and it is a sad story, but if the hon. Gentleman reads paragraph 21 of the conclusion he will find that the Committee believed that Metronet's failure should be thought about and understood before a PPP is considered again. I would describe that as a very balanced look at what was going on, not as total hostility.

Norman Baker: I agree that that paragraph is balanced, but I would suggest that any reading of the report—and I have spent most of today reading it—leads to only one conclusion, which is that there is hostility to the concept of the PPP throughout. Paragraph 96 states:

> "The circumstances of Metronet's end have shown that the private sector will never wittingly expose itself to substantial risk without ensuring that it is proportionately, if not generously rewarded. It is ultimately the taxpayer who pays the price."

I am not suggesting that the Committee was wrong to examine some of those matters. Clearly there has been a significant failure that needs to be addressed, and there are lessons to be learned. One of those lessons is that the private sector will naturally seek to minimise risk and to maximise profit. Of course it will: that is what it is there for. But it is the job of Government to ensure that the rules are set down—the tracks are laid out, if you like—in such a way as to prevent the incurring of disbenefit by the taxpayer, which in this instance the Government have failed to do. That does not mean that they will not be able to do it in future with some other PPP arrangements, but the fact remains that they spectacularly failed to do it on this occasion.

The Government's failure to sell Metronet to the private sector following the collapse means that the costs of operating in administration, and the costs of the overspend, will be picked up by the public purse. It is not clear to me, although it may be to others, to what extent that will be a matter for the Treasury and to what extent it will be a matter for Transport for London. It would be helpful to hear from the Minister exactly where the arrangements lie. Pursuant to that question, we also need to know whether Metronet's spectacular failure will lead to a scaling down or a lengthening of the process by which the improvements to London Underground were planned. Will work that was to be undertaken in, say, 2012 be delayed until 2016 or 2017? What are the consequences of the failure for the planned works? I think that people in London would like to know the answer to that question.

Justine Greening (Putney) (Con): I can certainly tell the hon. Gentleman what is happening at East Putney station. From what I can make out, the modernisation is being put on hold, and at the very least is being delayed.

Norman Baker: I fear the worst when I hear the evidence from East Putney. I hope the Minister will tell us that that is not the case.

David Taylor: Does the hon. Gentleman agree with my right hon. Friend the Member for Greenwich and Woolwich (Mr. Raynsford) that no lessons need to be learned about the supervision of the Tube Lines contract from this spectacular collapse, although the company's only exposure is the £180 million of equity it has invested in the project and although, four years into a 30-year project, it has already made a "profit" of nearly £160 million? That is not much of an exposure to risk, is it?

Norman Baker: The original PPP contract with Metronet was clearly very flawed, and the contract with Tube Lines cannot be perfect either. It should be said, however, that far fewer complaints and concerns have been raised about Tube Lines. It is important to look at each company on the basis of its delivery, and Tube Lines appears to be in a rather better state than Metronet ever was.

Mr. Raynsford: I apologise for having to intervene in the hon. Gentleman's speech, but I think I should put the record straight, because the interpretation placed on my remarks by my hon. Friend the Member for North-West Leicestershire (David Taylor) simply is not correct. I merely observed that it was wrong to draw general conclusions about the PPP on the basis of the specific failure of Metronet. My own experience, like that of a number of others, is that the performance of Tube Lines in terms of efficient management and improvement of its service is generally satisfactory, and I think that that too should be taken into account in any balanced and non-dogmatic appraisal of the PPP.

Norman Baker: I will not try to referee the contest on the Labour Benches. I agree that it is not necessarily possible to draw general conclusions from this or that PPP, although it might be possible to draw conclusions about the Treasury.

What kind of PPP was this? We have heard about the tied supply chain. It is a disgrace that Metronet should give business to its parent companies without any defence, ensuring neither value for money nor the exposure of those companies in the event of a problem. How could that have got past the Government when the project was set up?

On 17 October, Chris Bolt, the rail regulator but also the arbitrator in this case, told the Committee that Metronet saw this as "a cost-plus contract". That was his assessment: Metronet was there to bump up the price. It wanted to add bits and pieces, and to charge London Underground for the privilege of doing so. We learn that Metronet had equity of only £350 million, which was completely inadequate in relation to the cost of the scheme. The main question to be asked is why on earth it was allowed to get away with the tied supply chain, the cost-plus outlook and the inadequate equity. How can the PPP have been set up on that basis? I remind the House that the Government spent £500 million on legal assistance and consultancy fees. I do not know what advice was being given, but it seems to me that the Treasury might have recouped at least some money for the taxpayer by asking for a refund, because it was obviously singularly badly advised.

Stephen Hammond (Wimbledon) (Con): Might not the Treasury have been trying to find a way of imposing the scheme and the legal advice enabled it to do so? Could it have been that way around?

Norman Baker: That might well be so. It is difficult to interpret the position differently. But if that was the way in which public money was being spent, it suggests an improper use of public money—and certainly an unwise and ineffectual one, given how matters turned out. A contract that was designed to last for 30 years lasted only four years before collapsing. That is a terrible racket.

When the Secretary of State gave evidence to the Committee on 7 November, she said:

[Norman Baker]

> "There are always going to be costs in trying to get best value for money for the taxpayer."

That is a curious statement. It suggests that getting best value for money for the taxpayer means spending lots of other money. It is a strange way of justifying what was a financial disaster for the Government, for the taxpayer and, I am afraid, for the people of London.

I hope that the Government will learn lessons from this. There are lessons about the micro-management of train matters that they need to take on board. According to an article by Christian Wolmar, Ministers are about to make the same mistake with replacements for high-speed trains on the national rail network. He wrote:

> "Instead of a simple purchasing exercise, the Department for Transport is trying to be very clever and wants bids from consortiums involving train manufacturers and finance houses in a 30-year PPP scheme."

Have we heard that before somewhere? According to those in the rail industry to whom I have spoken, the cost of the new high-speed trains on the east coast line will be well above what it should be as a consequence of the process in which the Department for Transport is involved. So look out, perhaps, for excessively priced trains on the high-speed east coast line come 2012-13.

This PPP contract is difficult to defend in any way. It did reward contractors for moving toilets nearer to the drivers' cabs at the end of the line so that they took less time going to the loo. That is, perhaps, one positive aspect that I have managed to find from reading through the PPP contract. It might have saved a couple of quid here and there by that move—or perhaps not when the cost of moving the loos is taken into account. The micro-management in the contract is such that it specifies such matters, yet it is unable to deal at all with the big questions about who Metronet gets its business from, why there were cost-plus contracts, and what would happen if it went into liquidation, which then occurred. No thought was given to that prospect by those who ratcheted up £500 million in bills for the taxpayer in order to give advice—but we did have advice about how near drivers' cabs should be to toilets at the end of platforms.

The Government need to learn many lessons from this, such as how to run their railway policy, not to micro-manage, and not to look at PPP through rose-tinted spectacles and to understand that it might have a role to play but it will not necessarily be the best option for the taxpayer. They also need to be more open about their own mistakes in 1998 and beyond.

8.21 pm

Harry Cohen (Leyton and Wanstead) (Lab): I congratulate the Transport Committee on its important report and my hon. Friend the Member for Liverpool, Riverside (Mrs. Ellman) on introducing it so effectively, and I also add my best wishes to my hon. Friend the Member for Crewe and Nantwich (Mrs. Dunwoody).

I welcome the debate on London Underground's public-private partnership arrangements, as they are in a bad way. That is in fact an understatement following Metronet going into administration last July. Let us not forget that Metronet had responsibility for two thirds—it was probably more than that in reality—of the maintenance of the London underground network. Despite having money flooding in from the Government, the private consortiums have not given value for money overall, and we now have this debacle.

I was recently travelling in on a District line tube train in the vicinity of Tower Hill station. I advise the Minister to travel in on that line; actually, I do not advise her to do so, as there is a piercing screeching sound for a long way along the route. That was meant to be the responsibility of Metronet, and I suspect that such screeching sounds will affect commuters a lot more now, and give them an unpleasant journey into work and back home.

Justine Greening: I thought it was only me on that tube train that day nearly having my eardrums perforated, but the hon. Gentleman was obviously on the same train.

Harry Cohen: That is proof of what I say. I feel sorry for the London commuters who have to put up with that experience almost daily, and other passengers.

The private consortiums have done the soft work—the relatively easy work—but even much of that has barely been done. A lot of the major work, however, such as new trains and major station rebuilds, has not been done. I suspect that much of the difficult and expensive signalling and the track work is also still outstanding. We should be given some detail on what still needs to be done, and how much of the important signalling and track work that was thought necessary has not been done. That is despite £1 billion of funding per annum from the Government. Metronet was grossly inefficient, and it was brought down by the cost overruns. The independent PPP arbiter deemed that they were Metronet's responsibility, and Metronet's response was to walk away, leaving a bill for the taxpayer.

The hon. Member for Lewes (Norman Baker) made a point on consultants, which I wish to repeat. The Government paid them £500 million for this contract, and it resulted in this situation just four years later. Their role has been a rip-off of the taxpayer.

Stephen Hammond: I wonder, therefore, whom the hon. Gentleman blames for the writing of that contract. In his view, there has been a rip-off in respect of the contract. Someone wrote that contract and presumably someone should have been looking out for the public interest. Is it not true that the Department for Transport and the Treasury must therefore be culpable?

Harry Cohen: They are certainly culpable in a number of respects, and they sign off the contract at the end of the day, but they went to the consultants, who charged them a hefty fee. I remember, by the way, that whenever different expert witnesses gave evidence on other topics, such as the safety aspects of splitting up the maintenance from the operation, all of a sudden more consultants who had been paid by Government came along to put a case in favour. This was clearly a waste of money, and the taxpayer was ripped off.

There is now a colossal waste of money associated with Metronet's administration. I believe the taxpayer is currently paying £14 million a week through Transport for London. If that goes on until 1 April, the total will reach £0.5 billion. In addition, there is the put option guarantee: the Government guaranteed 95 per cent. of Metronet's borrowings from the banks, and the banks have now enforced that, as they had a right to do after six months. That will cost the taxpayer a whopping £1.7 billion. In this context, the repeated position of Treasury and Transport Ministers at the time that those private companies were taking a risk is truly a hollow proposition.

David Taylor: My hon. Friend and I are two of the few public sector accountants in this House. Does he agree that when PPP is at last laid in an unmarked grave somewhere in the City of London, its pallbearers will include Atkins, Balfour Beatty, Bombardier, EDF Energy and Thames Water, whose avarice and arrogance have broken all previous financial records?

Harry Cohen: I do agree with that, but there is another point. I have given many speeches on PPP in this Chamber and Westminster Hall, and I am not opposed to a public-private approach provided that the public have control of the situation. That certainly did not happen here. This model was a catastrophe.

Metronet shareholders' risk is far less than that of the taxpayers; it is limited to £70 million for each of its five corporate shareholders. It has in any case already made £130 million over its four years in pre-tax profits. The individual corporations get away virtually scot-free, because they are still able to secure, and make profits from, all sorts of other Government contracts. The failure is not held against them in any way.

My hon. Friend the Member for Liverpool, Riverside said that the tube upgrades are already well behind what was promised, but my concern is that they will be delayed a lot further. The briefing from the National Union of Rail, Maritime and Transport Workers said that the upgrades will be delayed by at least two years. I suspect that the delay will be much longer as the bills bite and the Government look for ways for them to be paid.

I spoke against the PPP model when it was going through this House. I asked countless oral and written questions, and I sponsored and led three specific Westminster Hall debates. I pointed out that PPP was not value for money, that it was risky in cost terms and in dividing maintenance and infrastructure from the operation of the rail network, and that it was front-loaded—a point that still applies in relation to Tube Lines. The contracts are front-loaded, so there is less risk at the beginning; the companies do the less risky work from which they can obtain the profit at the beginning and leave the complex, high-risk work undone. That remains a problem.

I come to the PPP auction. London Underground made 15 proposals, listing them in order according to which it thought could work. It put the one plucked by the Government 14th out of 15. It has not been applied to any other metro system in the world. The choice was foolhardy and we are paying the price for it by not getting the value for money that the Government said we would get.

The assumption that accompanied the PPP model was that the private sector would automatically be better than the public sector. It was an ideological obsession. When the Industrial Society, an independent body headed by Will Hutton, examined the matter, it found that the supposedly more efficient private sector was given performance targets that were 5 per cent. lower than what London Underground was delivering. That is how much confidence the Government had in the private sector's ability to do better. That is the flaw in the ideological obsession with the private sector's ability to run things better than the public sector.

The public sector had run the system for many years with a shortage of money, yet it was still doing a relatively good job in the circumstances. What could it have done with the sort of money available to these private companies? The Transport Committee found that a more than 20-fold increase had taken place in respect of the funding available to the consortiums—we are talking about £44.1 million in 1997-98 as opposed to £1.048 billion in 2004-05. As I said, that was set against a performance benchmark that was 5 per cent. below London Underground's standard. A 2005 Transport for London report stated:

"In short, performance is not good enough and is less than what was promised."

I fear that the taxpayer, the council tax payer and the fare payer will pay for this debacle in years to come. The commuter will suffer as maintenance performance declines and work is left undone. That is extremely serious in my part of the world—east London. It will hold the Olympics, and the Government must get a grip on the situation or there will be a transport safety problem in the build-up to the games. That cannot be allowed to happen.

The Treasury is still exposed to further financial risk from the Tube Lines contract. If Tube Lines is so good, why cannot the guarantee in respect of 95 per cent. of the bank debt be taken away? Why has the taxpayer still got to guarantee 95 per cent. of that debt? Tube Lines deals with Jubilee line maintenance, but that is a new line and loads of money was put into building it, so the job is easy relatively. A lot of investment was also put into the Northern line before it was taken over by Tube Lines. I forecast that the front-loading will mean that when the difficult and expensive work comes up in later years of the 30-year contract, Tube Lines will walk away. The work should be taken fully back in-house. That division between the maintenance and infrastructure, and the operation of the London Underground did not make any sense at the time and certainly makes no sense now. We cannot give any more blank cheques to private consortiums.

Despite that, a briefing issued today by London First, the business community organisation in London, states:

"The modernisation programme is likely to cost more than the funds available—in this situation, the programme will have to be scaled back".

I suspect that that is true, but there is no apology for the failure of the private sector and business, despite a great deal of money having gone in. It also states:

"A private sector client—like Tube Lines or London and Continental Railways—is more likely to bring commercial discipline and accountability, fresh thinking and contract management than a public sector one".

[Harry Cohen]

That is almost laughable in the context of the Metronet failure. It is almost as though that never happened. London First's position is unbelievable, and it is peddling the same failed ideology. I repeat that the division of responsibilities is awful, inefficient and potentially dangerous.

The situation is not Mayor Ken's fault. He warned against it and is making the best of a bad job. It is a private sector failure and it was the Government's mistake in choosing the system. Mayor Ken is the best hope of putting it right. The Government should not be seduced a second time by the nonsense of putting the contract out to the private sector. That will not do. They should take the whole lot back in-house and put it under the control of the Mayor and Transport for London.

I agree with my hon. Friend the Member for Liverpool, Riverside that there must be full transparency and accountability. Serious costs have flowed from the Metronet failure, and the matter must be out in the open. The Government must not compound the problem by covering things up and continuing with the failed system of putting unwarranted faith in the private sector.

8.37 pm

Mr. Greg Hands (Hammersmith and Fulham) (Con): I have just taken part in the Northern Rock debate, and there seems to be something of a theme today: disasters made in Downing street, shocking mismanagement of public funds and cavalier abandon on the part of the Prime Minister. In the case of Northern Rock, the Prime Minister was very much in the background of the fiasco, which involved the credit boom, poor banking oversight, low savings rates and so on. In the case of PPP, he is right at the heart of the matter. Of course, there is another individual involved. The hon. Member for Leyton and Wanstead (Harry Cohen) and I will disagree about the role of the current Mayor, Ken Livingstone, but he is certainly part of the story.

Before examining what has happened with PPP in the past eight or nine years, I shall share with the House some of the experiences that my constituents face daily on the tube. According to the 2001 census, the borough of Hammersmith and Fulham has the highest percentage of tube users of any local authority area in the whole of Britain, but we suffer from some of the worst lines. My hon. Friends the Members for Wimbledon (Stephen Hammond) and for Putney (Justine Greening) are in their places: we share the Wimbledon branch of the District line, which goes from Earl's Court to Wimbledon, and doubtless both of them will say something about it later.

A couple of years ago, the Wimbledon branch of the District line was at 92 per cent. of capacity, which was significantly higher than the District line branches to Richmond and Ealing, which are overcrowded themselves. My constituents generally wait between the hours of 7.30 am and 8.30 am on Monday to Friday at such stations as Parsons Green and Fulham Broadway. By the time the train reaches those stations from Wimbledon and Putney, it is already incredibly, inhumanly full. People often have to wait for the third train—

Stephen Hammond: It is even worse than that. As my hon. Friend knows, by the time the train reaches Wimbledon Park, which is where I get on, the shorter rolling stock is full.

Mr. Hands: My hon. Friend is absolutely right. I was going to talk about some of the shorter trains on that line in due course. It is already very difficult to get on at the second or third station, let alone the seventh or eighth station on the line.

After lobbying by the three of us in June 2006, Transport for London agreed to put on one additional peak hour train a day. It was taken from the Olympia line, which upset some of my other constituents. Nevertheless, it was not particularly effective in doing something about the inhuman conditions that prevail on the Wimbledon branch of the District line.

Justine Greening: My hon. Friend might be interested to hear the statistics that I have pulled off London Underground's website, which show that our stretch of the Wimbledon branch has had the footfall equivalent of three trains-worth of extra passengers joining it in the morning rush hour every single day for the past three years.

Mr. Hands: I thank my hon. Friend for that intervention. I am sure that her figures are absolutely right. I was going to talk about the overall passenger numbers on the tube and how they have developed in the past couple of years.

Let us consider the population in our part of west London. Just last year, my local borough, Hammersmith and Fulham, had 7,300 foreign national applications for national insurance numbers. That is a huge number of people among an adult population of 120,000. My parliamentary constituency has the second largest population of any in Britain after the Isle of Wight. Most of those people are in employment and a lot of them go by tube, as my reference to the 2001 census showed. There is an enormous crush to get on that branch of the District line.

The story is not necessarily much better for the Piccadilly line. In January, I met Piccadilly line managers, who had some very interesting things to say. I met them in the course of a campaign that we have been running to get the Piccadilly line to stop at Stamford Brook and/or Ravenscourt Park stations in my constituency. The District line stops there, but the Piccadilly line sails through. There seems to be no obvious reason why the Piccadilly line should not stop there and it has done so at various times, on a fairly impromptu basis. That is what the campaign is all about.

The Piccadilly line managers made a strong case against the idea. They said that the sheer number of passengers on the line meant that adding one or two stops would simply compound the overcrowding—the journey would be lengthened by two or three minutes and therefore the number of trains would be reduced. The managers told me that passenger numbers on the whole tube network have risen by 15 per cent. in the past two years. Numbers on the whole network are up by 7 per cent. year on year.

The numbers on the Piccadilly line have increased the most in that time. In the past 18 months, the number of daily journeys on that line has gone up from 540,000 to 680,000. That is a 24 per cent. increase. Each Piccadilly line train, I was told, is running on average seven minutes late.

Let me return to PPP. The amazing thing is that the upgrade of the Piccadilly line is not due to happen until 2014. The District line will be upgraded sometime after 2012, despite being a major route to the Olympic site. Those are some of the problems faced by my constituents.

I shall talk briefly about some of the origins of the situation. We have already heard how PPP was set up. I did some research through some old press cuttings and found the most extraordinary row, which went on between 1991 and 2001 in particular but is still going on to this day, between the current Prime Minister and the Mayor of London over PPP. An article in *The Independent*, published on 7 June 1999, was entitled "If your train is late, you should blame Gordon Brown". It is an interesting article, especially when we see that it was written by Ken Livingstone. He went on to say:

"We all know that when John"—

the right hon. Member for Kingston upon Hull, East (Mr. Prescott)—

"settled on 'Public Private Partnership'...as the means to raise the resources, it was because it was the only option the Treasury would sanction."

Clive Efford (Eltham) (Lab): Does the hon. Gentleman recall that at the time, his party time was in favour of a wholesale, unbridled privatisation of London Underground, similar to the privatisation of the railways? Does he still advocate that?

Mr. Hands: I am glad that the hon. Gentleman mentioned that, because I checked what our party's position was at the time. Archie Norman, then Conservative spokesman on the issue, said:

"Only...Gordon Brown believes that proceeding with PPP would be in the best interests of Londoners."

As I recall, the only mayoral candidate in favour of PPP in 2000 was the right hon. Member for Holborn and St. Pancras (Frank Dobson), who ironically made a speech earlier today attacking the capitalist nature of the Northern Rock takeover; it was a classic old Labour, socialistic speech.

On 19 January 2000, in response to Ken Livingstone's article in *The Independent*, the then Chancellor, now the Prime Minister, riposted in the *Evening Standard*:

"Livingstone must not be London Mayor."

The article said:

"Chancellor of the Exchequer Gordon Brown takes the offensive to argue why 'Red Ken' must not get the job."

In the article, the then Chancellor focused heavily on PPP and attacked Livingstone's opposition to it. He referred to Livingstone's dogma on how to finance the tube, which I find rather ironic, and said that Livingstone was threatening London with the loss of key investment.

My point is that the row has been going on for nine years, while my constituents and many other Londoners have been suffering. They are victims of a row at the highest level between the Prime Minister and Mayor of London, and the row is still going on today. The Prime Minister refuses to back, or even name, Ken Livingstone in any debate in this House, or any press article. He may refer to the Labour administration at City hall, or say that London needs a Labour Mayor—

Kelvin Hopkins (Luton, North) (Lab) *rose*—

Clive Efford *rose*—

Mr. Hands: I will not take any more interventions because time is short. In 19 years-worth of *Hansard*, the Prime Minister has never mentioned Ken Livingstone, either by name or by constituency. The heart of the matter is the row between the Prime Minister and Mayor of London, which has been going on for so long. Unfortunately, it is my constituents who are suffering.

Several hon. Members *rose*—

Madam Deputy Speaker (Sylvia Heal): Order. There is limited time left in this debate before the Front Benchers make their contributions. I hope that hon. Members will reduce their contributions, so that more of them can catch my eye. I call Mr. Graham Stringer.

8.47 pm

Graham Stringer (Manchester, Blackley) (Lab): Thank you, Madam Deputy Speaker. I will try to limit my remarks, although one could easily take the rest of the time available to go through the issues. A number of hon. Members have said that there are lessons to be learned from the financial fiasco. The real tragedy is that the lessons were known and talked about right at the beginning, when PPP was first considered. Before I come on to those lessons, let me say that my position is that if capital is scarce, and if one can transfer risk, fine: introduce PPP, but make it transparent, know what is going on, and make sure that it is the vehicle that works best. The same goes for the public sector: when it is used, one should make sure that it is the best vehicle for the occasion.

On 15 July 1998 and 12 July 2000—right at the start of the process, when PPP was being considered—the Select Committee on the Environment, Transport and the Regions asked all the questions that appear in the recommendations in the Transport Committee's January report. We said that risk must be transferred, that there must be a process for resolving disputes, that the amount spent on consultants must be limited, that there must be an arbiter who can take action, and that the infrastructure companies should not be able to renegotiate their contracts. Those are all issues that came up when we discovered that the process had been a disaster.

What was the Treasury's response? Ministers refused to come before the Select Committee to discuss the issue and refused to release the PricewaterhouseCoopers report on what went on so that it could be properly assessed. If the Treasury had listened to the recommendations, a better method of financing the much needed improvements to the tube may well have been used.

Kelvin Hopkins: I agree with everything that my hon. Friend is saying, but does he accept that when it comes to vital national institutions such as our railway system and the transport system for our capital, risk is never transferred? It is always ultimately with the Government.

Graham Stringer: Experience shows that my hon. Friend is right. That was the experience of Railtrack and of Metronet. I am a broad-minded person and I think all issues and processes should be looked at, but it would be surprising to find a vehicle with a major national asset where the risk could be transferred.

[Graham Stringer]

I attend many Select Committees and have been doing so for a long time. Sometimes they can be tedious, but the hearings that we had in the Transport Committee on 17 October and 9 November were shocking, startling and in some ways exciting. It was like listening to a case involving embezzlers and fraudsters being described and knowing that they had got away with it. It was an extraordinary process. If Tony Soprano or his ilk in New Jersey knew what was going on with Metronet, they would have left New Jersey and come over to London, where they could have given advice and got hundreds of millions of pounds, risk free. It is an amazing story.

Tube Lines has been mentioned as being better than Metronet. It is undoubtedly better than Metronet, but it is far from perfect. There were problems with the improvements on the Northern Line. There is good management there, but when we look at the basic assessment of the financing, even of Tube Lines, and then look at the public sector comparator and read what the National Audit Office said about public sector comparators, which is the basis that shows that these schemes would be more profitable, we find that the NAO backs away and says, "These comparators are so subject to the assessment of risk that you can't really judge them". That is a way of saying, " There is a fiddle factor in there that we cannot assess, and the experience is that they probably won't save the money that you expect."

With reference to the financing of Tube Lines, where much of the finance was guaranteed because it could not be obtained from the markets, what happened as soon as Tube Lines got the contract? It refinanced on the open market, which was an indication that it could have been financed at a better rate and that what was driving the process, as a number of my hon. Friends said, is ideology. Tube Lines also had a much higher materiality threshold. We heard that no risk was transferred, and that 95 per cent. of the money was secured; not only 95 per cent. but an extra £500 million—I am talking about the consultants—on the cost of borrowing, so there was no risk to the lenders. Those who would normally be expected to exert pressure were exerting no pressure at all.

The results on the ground—my hon. Friend the Member for Liverpool, Riverside (Mrs. Ellman) referred to some of these—were that on the Metronet surface lines, 10 out of 18 stations were done. Instead of costing £2 million each, they cost £7.5 million each. On the other Metronet contract, four stations out of 17 were done. Effectively, between two and four stations were paid for and only one was delivered. That is the story that we heard. Although it is difficult to know exactly how much money was overspent, it looks as though it was £1 billion. Nobody can assess it because the funding was available and it is not yet known what the cost was

As I said, there was no pressure from the bankers because they had the money. Either it was secured or they got extra money for what they were doing. They did not put any extra pressure on. One would normally expect the owners of equity to want to know what was happening with their money, but this is where the real corruption in the Metronet contract comes. The people who were the equity owners and who had £350 million at risk were effectively paying themselves to do the work at those extraordinary prices. It is easy, isn't it? One of the companies—Bombardier, for example—says, "There's my £70 million. I will overprice this contract at twice the rate. I'm already expecting 20 per cent. return on the capital, so I'll get my money back very quickly indeed." When the Secretary of State gave evidence to the Select Committee, I told her that

"real corruption has gone on."

She said:

"I have no evidence to suggest there was corruption."

There is direct evidence of corruption. Those people paid themselves out of public money to do less work than they should have done while taking no risk whatsoever.

The other pressure that normally applies to people who are building things comes from clients, but London Underground was kept out of the matter. Metronet would not tell London Underground what was going on, and the contractors would not tell it what was going on, which was an extraordinary situation. We asked Mr. Pimlott, who was chairman of Metronet for a period, why he did not stop paying the contractors, who were effectively his fellow members on the board, ridiculous sums of money. He said that when he made that suggestion he was threatened with legal action by other members of the board. The story is extraordinary.

If the scheme were publicly funded, there would be direct lines of accountability, and if it were a private sector scheme, the private sector would take the risk and the loss, but we have neither public accountability nor risk. The Mayor is not responsible—he was against the scheme from the beginning. The Government say that they are not responsible in a direct sense, although pressure from the Treasury undoubtedly caused the situation. The companies have walked away with a great deal of money, so they are not responsible. When the Secretary of State was asked what she thought, who was responsible and what should happen, which might have involved an inquiry or someone having to go, she said this about the infracos:

"I do not think that anyone should underestimate the impact on their reputations."

On 6 March, *The Guardian* stated that Balfour Beatty, which was one of the bad five in this case, had reported a 48 per cent. rise in profits and that it was on the verge of signing a new deal on the underground to carry on doing the work for which it has already ripped off the public sector. If that is not a scandal and corruption, I do not know what is and words have lost their meaning.

What should we do? There should clearly be a public inquiry, because there is no accountability. Who has suffered? We do not know exactly because we do not know the cost. In the end, however, the fare payer will pay and passengers will suffer. For example, Transport for London has indicated that it may not be able to fit cooling systems on the tube. The taxpayer will pay.

Finally—I care about this a lot—when huge expenditure achieves a fraction of what it should produce, it is not only the taxpayer who is affected, because in relative terms there has been a bigger increase in expenditure on transport in the south-east and London than in the

regions, so the regions have suffered. The deal has been bad for everybody, and the lessons should have been learned 10 years ago. I hope that we never go into another opaque scheme in which no risk is transferred. The scheme has been bad for the Government's reputation. Ken Livingstone was right and the then Chancellor of the Exchequer was wrong.

8.58 pm

Susan Kramer (Richmond Park) (LD): At the time of the PPP, I was on the board of Transport for London. I was a virulent opponent of the PPP, which I fought tooth and nail.

I will not repeat the comments that have been made already, but I will try to add to them, because the issue of lessons learned is important. I hope that the Treasury is listening, because it carries a large part of the responsibility for how the negotiations were handled and for the consequences for London's transport system. The whole PPP negotiation was done in a very ideological context. The hon. Member for Leyton and Wanstead (Harry Cohen) was right; the Conservatives had taken the position that the PPP did not go far enough—

Justine Greening *indicated dissent.*

Susan Kramer: The hon. Lady shakes her head, but I stood on a platform day in, day out with the Conservative mayoral candidate in many venues; I can say that the Conservative party was seeking total privatisation as an answer.

Ken Livingstone had in this House voted twice for the PPP; only later was he converted to the idea that it was a flawed way to manage the future funding and structure of the tube. I am glad that he was converted. In the end, the struggle became one between London and the Treasury, and I was glad to be part of it.

The ideology set a dangerous context. It created an environment in which flawed decision making took place. Ideology overrode common sense and clear, analytical thinking. First, there was no asset register. Teams were trying to negotiate the upgrade of a system when they had no idea of its underlying condition. That automatically meant that there was likely to be a disaster, no matter what the outcome. How does one get value for money in such circumstances?

Then there was the negotiating team. I do not want to point fingers at very fine individuals, but put a fine individual in the wrong place and there is not a successful outcome. All the bidders—not just the successful bidders, Tube Lines and Metronet, but all the original ones—made sure that on their teams were world-class negotiators, whose skill and focus was to negotiate procurement contracts. The team that represented TfL—it was only nominally a TfL team; essentially, it was a Treasury-driven team—was largely made up of and driven by people with good academic and consulting backgrounds. Their skill set was wrong for taking on the kind of hard-nosed challenge involved in bids for which large amounts of money are at stake.

The consultants have been mentioned; the Treasury and the Government will have to think through the selection of consultants far more. The contract depended on successful risk transfer. One cannot discuss such a thing with people from investment banks. Such people know how to do deals; they are not part of organisations that take, carry and hold risk. They therefore do not understand risk transfer, and the same applies to consultants who come out of the various accounting firms. Such people have the wrong skill set—the Government were told that over and again, but never listened.

Kelvin Hopkins: The hon. Lady is suggesting that the Government had weak negotiators on their side. If they had had tough negotiators, as they should have, would the privateers not have walked away because they would not have been able to make any money and the risk would have transferred to them? Did they stay in only because they knew that they could make cash and eventually walk away?

Susan Kramer: The structure was fundamentally flawed. If we negotiate with the private sector, we should be aware that it has a duty to its shareholders to get the best from any negotiation. The team that I mentioned was weak not because the individuals were poor but because they did not have the necessary skill set, experience and capability of being a fair challenge. Such negotiations are a gladiatorial contest, and the skill base has to be there.

Kelvin Hopkins *rose—*

Susan Kramer: I must move on, because others want to speak.

To give a simple example, even the most senior engineers at TfL were consulted only about small aspects of the contracts. The contracts depend totally on engineering requirements—to upgrade track, carry out successful maintenance and rehabilitate stations. The engineers were brought in only on a narrow, need-to-consult basis and that utterly undermined any ability to be effective and powerful in the consultation process. From a very early stage, the negotiation went on to having a single preferred bidder. For a chess player, that would be equivalent to handing over their queen at a very early stage in the game. Once people are dealing with a single preferred bidder, the negotiation goes downhill because there is no ability to have competitive play. That was made clear time and again in the course of this negotiation, and it undermined the ability to move forward.

Underpinning all this was an assumption that one can handle relationships and build long-term dynamic arrangements through contractual and legal documents. The negotiation led to a series of document exchanges, with 135 documents, 2,800 pages, and constant cross-references—completely unworkable on a day-to-day basis. The fundamental philosophy behind these arrangements was that they would be based on legal and contractual relationships. That has proved to be a flawed concept, and that lesson must be learned by Government.

Then came the comparison between the PPP and carrying out the work within the public sector—the so-called public sector comparator. I have no ideological objection to using the private sector, but there must be a level playing field in comparing the work of the private sector and delivery from the public sector. I believe—I am working from memory; perhaps Ministers can remind us—that a cost overrun adjustment of 15 per cent., or

[Susan Kramer]

perhaps 20 per cent., is automatically added to the costs of any work calculated or estimated in the public sector. In addition, the Treasury went to extraordinary lengths to devise a discount rate to come up with net present values to compare between the two potential providers. The discount rate that was used was 8.25 per cent., or something very close to that, while the cost of borrowing with the Treasury at the time was about 3 or 4 per cent. It was an extraordinary number to use. Nobody who looked at it thought that it was in any way fair or rational but that it was selected, just like the cost overrun number, to bias the solution towards the private sector.

Even that did not get us to a project where one would take the private sector option, so the Treasury came up with one more concept, which was on its website for a while but shortly thereafter abandoned—that of reputational cost, which basically said that if there is major borrowing by a public sector entity, the cost of that somehow reflects the total borrowing capacity of the country as a whole, so there is a pricing impact.

It took all those factors stacked together to come out with a number that suggested that taking the public-private partnership route made more sense in any kind of financial analysis. It was so artificial, and so clearly structured to achieve a specific end, that it lost all sense of the risk involved and of value for money to the public. We ended up with a procurement that was described by one of my colleagues as one that will be taught in American business schools as course 101 on how not to procure. That is not a situation that the British Government should ever get us into again.

We have heard about risk transfer. There has been evidence from the very beginning that risk cannot be transferred in this respect. London cannot see its underground network being strained in capacity and coming to a halt. The risk will always end up resting with the public sector, and that notion must be taken fundamentally into its thinking.

It was evident that the Metronet contract was in trouble almost from day one. In June 2005—there had been many previous comments, but this is the one that I was most easily able to lay my hands on—Bob Kiley gave evidence to the Greater London authority and talked about Metronet's performance as "bordering on disaster". This was a slow train wreck, which people could see happening gradually, but the contractual arrangements made sure that it would not be possible for TfL or anyone else to intervene. The underlying standards embedded in the contract were very much driven by what the banks would finance. The banks were clear that the performance required of the private sector had to be something that a modest company could achieve on a modest day. The targets were low and the mechanisms for intervening were minimal.

I need to wind up my remarks quickly, so I shall make a couple of further comments; I would love the opportunity to share more of the understanding that we developed of these projects on another occasion. We must have some absolute parameters. Cost must not fall on Londoners, and I hope that we will get that assurance. We must have an understanding of where the Government see the contracts going. Will we be using a concession model, which I would favour over taking the process back in-house? London Overground and docklands light railway are excellent examples. We must know what Londoners will lose in the way of upgrades, such as air conditioning and all of the other plans that were laid out.

As the Government will be aware, those who opposed the PPP felt that there should be bond issues based on the farebox and on future streams of grants from Government. That concept of financing would have enabled far lower pricing and far more effective systems—splitting the financing from the concession to carry out the work. It would have put the responsibility on the body that would hold it best, and I would like to hear whether the Government will consider moving to that model in their recovery from the Metronet disaster.

9.11 pm

Clive Efford (Eltham) (Lab): I start by saying how much I regret the fact that the Chair of our Select Committee, my hon. Friend the Member for Crewe and Nantwich (Mrs. Dunwoody), is unable to be here. I wish her all the best, and I hope that she makes a swift recovery and returns to her duties in the House as soon as possible.

It is inevitable in a debate on the failure of Metronet that everyone will repeat the arguments of 10 years ago, when people were raising questions about the public-private partnership, and they have jumped to the conclusion that the entire PPP has failed. I say to the hon. Member for Lewes (Norman Baker) that if he reads the conclusions of the report, he will find that paragraphs 21 to 24 all refer to severe failures of Metronet and its internal structures, but they do not condemn PPP. We take a strong position on the failures of the part of the PPP that Metronet was involved with, but the Committee is far from saying that PPP is a bad idea. Many of us in this House come from local government, where public-private partnerships are commonplace. It would be a foolish position to take to say that we were flatly opposed to PPP.

The hon. Member for Hammersmith and Fulham (Mr. Hands) is unfortunately no longer in his place. I used to share my office with the previous Member for that constituency when it was a Labour seat, and I have to say that he made a lot more sense. At the 1997 general election, the Conservatives' manifesto stated unequivocally that they would introduce proposals to privatise the London Underground. A little later, in 2000, their mayoral candidate, Steve Norris, was cited in *The Times* on 29 January:

> "Steven Norris, the Tory candidate for London mayor, is to support Labour proposals for a public-private partnership for the London Underground."

The article went on to say:

> "Campaign aides yesterday made clear that the plans had been drawn up with the backing of William Hague"—

some echoes there of what happened to the Liberal party last week. Only a few months later, the hon. Member for Poole (Mr. Syms) reverted to Conservative old ways and said:

> "We want fully to privatise the underground".—[*Official Report*, 6 November 2000; Vol. 356, c.107.]

Londoners are clearly not protected by Conservative proposals. Conservatives would seek to use the private sector in the PPP in future. Their mayoral candidate already has a hole of £100 million in his budget, so Londoners know what to expect should they elect him.

Stephen Hammond: The calculation was redone at the weekend and the figure of £100 million constitutes a false allegation. How did the hon. Gentleman reach that figure, against the calculation by independent people, which shows that the figure is about £10 million not £100 million?

Clive Efford: I would take the hon. Gentleman through the miscalculations—[HON. MEMBERS: "Go on!"] If I am to allow the hon. Member for Putney (Justine Greening) to get in, I cannot go down that route.

We are considering the failure of the unbridled privatisation of the London underground. Tube Lines has a completely different internal structure, containing incentives and higher materialisation thresholds, which encourage it to incentivise, innovate and keep its costs down. Metronet was a cash cow, on which stakeholders and shareholders fed until there was nothing left. It was unable to impose any form of accountability or efficiency on the stakeholders and shareholders. Moneylenders to Metronet did not impose any restrictions and the whole edifice came tumbling down. We finished up with 50 delayed station upgrades and no risk transfer from the public to the private sector.

In the short time available, I want to emphasise to the Government that there are lessons to be learned, as everybody has said. We must not repeat the mistakes that we made in the run-up to PPP 10 years ago. The London underground needs stability and time to plan ahead. We cannot enter into another enforced PPP, whereby a private sector partner is levered in to take over the contracts that London Underground currently runs. The administrators have attempted to introduce the private sector and they have failed. Indeed, they said that pursuing that would be a waste of public money. We need London Underground to retain the management of Metronet's contracts and a period of stability for the benefit of Londoners. Metronet has let Londoners down and we must not put another Metronet in place to repeat that exercise.

9.17 pm

Justine Greening (Putney) (Con): I am pleased to contribute to the debate because the performance of the District line and the tube generally constitutes a major part of my constituents' lives. If they have a bad time getting to work on the tube, they generally have a bad day. The debate is important for Londoners because it is about their day-to-day quality of life in this city.

I welcome the report. When Metronet collapsed, a full inquiry was needed and the report makes some valid comments about and has some valid insights into what happened. I was especially struck by the comments of Tony Travers of the London School of Economics, which appear on page 14. He referred to the £5 billion to £7.5 billion spent on the tube network in the past five years, saying that it

"is a huge amount of money to have delivered—at the very best—a train service that's overall no different"

from

"when we began."

My constituents, who have to use the tube every day, would agree with that.

I shall spend a couple of minutes considering our experience locally. On our local District line, we need a more reliable service, more capacity and signalling. That was in the PPP contract for Metronet. The work was not going to happen overnight, but it was initially pencilled in for, not today or tomorrow but probably 2012, perhaps lasting until 2018. My constituents are now concerned about the major question mark over those promised performance improvements that the failure of the PPP contract has raised.

As my hon. Friend the Member for Hammersmith and Fulham (Mr. Hands) pointed out, the backdrop to that is people doing what the Mayor wants them to do—using the tube to get to work every day. As I said in an intervention, in the past three years we have seen the equivalent of three trains-worth of extra people using the Wimbledon branch of the District line every day. That is one extra tube-worth of people every year. Our concern is not that the planned improvements will not happen, but that when they do happen, they will merely catch up with the extra capacity that we needed anyway, so we will not see much of an improvement.

Our daily experience is one of being crushed on overcrowded tubes—certainly not pleasant at any time of the year, particularly not in the summer—delays, being stuck in tunnels, being unable to contact people when late for meetings at work and long waits at Earl's Court station coming home, with thousands of other people waiting for the occasional Wimbledon-bound train finally to arrive. My constituents find it particularly galling that they are never asked what they think about the service, but treated merely as people to be shunted around on it. The report does not cover this, but London Underground has never asked them their views following the Metronet collapse.

I felt so frustrated by the lack of feedback from customers that I set up what I call my MP textline, so that people can rant to me on their mobiles. They sign up on my website, get a mobile number and can text me when services are poor.

Kelvin Hopkins: Is not what the hon. Lady describing a demonstration that the privateers are simply interested in making money and have no care whatever for the passengers paying their fares or the public purse?

Justine Greening: That is one way of looking at the situation, but as we have discussed, what is interesting about the report is the contrast between the performance of Tube Lines, which appears to have prospered in its contract, and Metronet. The hon. Member for Eltham (Clive Efford) mentioned the materiality thresholds in connection with the risk borne by the different PPP contracts. With hindsight, it seems that they had a large impact. We shall have to wait and see whether Tube Lines will continue to prosper, but the one thing that we do know is that Metronet has failed. As I said, the report set out some interesting hypotheses on that.

[Justine Greening]

My MP textline is frequently used by people to rant. Here are some typical messages that I can read out in the Chamber:

"To justine. 18 oct. Arrived on southfields platform 07.33, long wait for train. Sardines! Many people unable to get on. Arrive earls court 7.58. A typical journey on the district line."

Here is another:

"Took 30 mins to get from Wimbledon to Southfields on District Line last night"

a journey that normally takes about four minutes—

"because of signal failure. This always seems to happen when it rains hard!"

I could continue for a long time with messages that I have received on my textline over the past few months.

There is no doubt that Metronet's collapse has had a profound effect on my constituents. We are concerned about delays to improvements to East Putney station and to lifts being installed in Southfields station. In relation to accessibility, I am particularly concerned about the impact of Metronet's failure on those who are less able to get into London to work, such as people on incapacity benefit.

Finally, who is culpable? A lot of people are culpable. The Mayor is culpable, because his attitude from the word go was that he was not interested in the PPP being successful. My constituents and many others around London who are reliant on the PPP delivering, however badly it was structured, have been let down by various parties, including the Mayor, who have not done their best to make it work.

Metronet is culpable. When things started to go wrong it simply did not react, and much of that is contained in the report. The way in which London Underground and Metronet worked together when things were clearly going wrong was simply unacceptable.

Finally, as we have mentioned already tonight, the Prime Minister structured the poor contract, within which the PPP collapsed. I have no doubt that my constituents will remember that fact.

Whatever the failings, the people who are left suffering—I will probably be one of them tonight, when I have to use the District line to get home—are my constituents, and there is a real danger that, if we do not secure improvements through a PPP contract or any other means of attracting investment, London's underground will start to be a serious drag on London's economy. I am concerned that the quality of life of this great city, which we all love living in, will continue to be pulled down by a daily experience of travelling to work that, for many people, is simply becoming unacceptable.

9.25 pm

Mr. Nick Raynsford (Greenwich and Woolwich) (Lab): First, I draw attention to my interest as declared in the Register of Members' Interests.

I rise to speak to try to bring a degree of balance back to a debate that, to me, has been disappointing, first, because of a tendency to go from the particular to the general and to assume that the PPP is universally unsatisfactory because of the failure of Metronet, and, secondly, because of a lack of realism in some respects about the context in which the PPP was developed.

The hon. Member for Richmond Park (Susan Kramer) made an interesting series of observations on the negotiation of the PPP, many of which I would concur with, but she did not give us the background of the procurement of the Jubilee line, which was in many respects one of the most depressing and unsatisfactory procurement exercises that we have ever seen. The Jubilee line has a lot of things going for it. I take particular interest in it because it is my constituency's only contact with the London underground. The line was well designed and there are some very fine stations—we have one here at Westminster that many hon. Members use every day and can admire—but the procurement was fundamentally unsatisfactory. The scheme was seriously delayed and there were massive cost overruns—approximately £1.5 billion.

Susan Kramer: Will the right hon. Gentleman give way?

Mr. Raynsford: I will give way very briefly, but I am time-limited.

Susan Kramer: Does the right hon. Gentleman remember that those who wanted a public sector option also said that good, high-quality management needed to be brought into London Underground?

Mr. Raynsford: I absolutely agree, and I would only disagree because the hon. Lady berated the public sector comparator—the assumption of a 15 per cent. cost overrun. Would that it had been only 15 per cent. On the Jubilee line, the cost overrun was massively greater than 15 per cent. and it was therefore absolutely right for the Government to look for alternatives that would bring in good management and ensure that the very considerable backlog of repairs would be dealt with efficiently.

Greenwich and Woolwich has only one link into the underground service—the Jubilee line. We can look at the performance of Tube Lines in the past five years and see a number of areas where very considerable improvements have been made. On completion, the Jubilee line lacked the signalling system that had been part of the original specification and would have allowed a much more frequent service than we have enjoyed. The line opened with a less than satisfactory signalling system, which has been the subject of a great deal of work and will have to be replaced in another year's time. Capacity was not up to the demand. Not surprisingly, the only link into the underground from Greenwich is hugely popular and there is very serious overcrowding.

By 2005, we had seen the first of the upgrades conducted by Tube Lines: the extension of the seventh carriage, to join the six carriages on the original specification, and improvements in the underground access to North Greenwich station. That improvement has already been entirely absorbed by further demand. Therefore, a further upgrade will be required next year, to improve the signalling system and make good the defects of the original scheme, which was specified according to the formula that some of my hon. Friends have been arguing for: public sector control. We should not forget

that the failure on some of those previous orthodox contracts was the background that led to the view that we should look for alternatives, such as the PPP.

I am pleased to say that when the signalling transformation is carried out next year—I am confident from my discussions with Tube Lines that it fully understands what is required, and I hope that it will be as efficient in doing that as it was with the upgrade of 2005, which was conducted in an exemplary fashion and completed over the Christmas holiday period, involving minimal disruption to the public—we will see an upgraded line with 40 per cent. more capacity than it had in 2003 when the PPP was introduced. I regard that as a rather important achievement.

I urge all Members, and particularly my right hon. Friends on the Government Front Bench, to take a balanced view. While rightly learning the lessons from Metronet's failure—I make no excuses for its lamentable failure—they must recognise that other parts of the tube service have had a different experience. From our perspective in Greenwich and Woolwich, the improvements in the Jubilee line over the past five years are enormously welcome and I hope that they can be sustained.

9.30 pm

Stephen Hammond (Wimbledon) (Con): The Metronet contract was supposed to deliver 35 station upgrades in three years: it delivered 14. It was supposed to deliver them at a cost of £2 million: delivery actually cost £7.5 million. It was supposed to deliver an extensive programme of track renewals: only 65 per cent. of the work was completed. That lamentable failure is clear from the Select Committee report.

This evening's debate was ably opened by the hon. Member for Liverpool, Riverside (Mrs. Ellman), who had the unenviable job of substituting for the hon. Member for Crewe and Nantwich (Mrs. Dunwoody). I am sure that we all wish her well.

I have been fascinated by all the contributions. Clearly, we are not here to discuss the basic structure of public-private partnerships. Rather, our debate is about the failed Metronet contract, the awarding of the contract in particular circumstances, its operation and its failure to deliver.

As the right hon. Member for Greenwich and Woolwich (Mr. Raynsford) pointed out, the basic structure of PPP or the private finance initiative is that the private sector can undertake infrastructural investment on behalf of the public sector. The exact structuring of the contracts will differ from project to project, but that structuring should transfer risk from the public to the private sector. The failure to do so in this case is a failure of this contract, not a failure of the general. PPP contracts allow the public sector to access facilities—for example, world-class project management and engineering talent—that would not otherwise be available to it; value for money can be guaranteed; and there can be innovation in working practices.

The basic structure of the PPP is that the private sector delivers the best for the public sector when the private sector is told what outputs to deliver and decides how they are to be delivered. That is at the heart of tonight's debate and at the heart of the failure. It is clear that this PPP did not follow that stricture from the beginning.

In 1998, the London Transport board had been informed of the need to investigate alternative methods of financing the London underground, including a future investment programme for the next 25 years. It is worth remembering that at that stage the whole bus system was running at break even and the whole of the London transport system was costing the taxpayer only £130 million. The bus network costs a net £700 million now and a total cost of more than £2 billion.

Kelvin Hopkins: The hon. Gentleman began by saying what a disaster PPP has been, so I am astonished that he is now saying that it is basically sound. The increase in costs that he mentions coincides exactly with the period of privatisation of both buses and trains.

Stephen Hammond: If the hon. Gentleman will let me continue, I am coming on to that. I am saying that the principle is sound, but that the contract was at fault. I will come on to re-emphasise that, and it is exactly what the Select Committee report makes clear.

The hon. Member for Richmond Park (Susan Kramer) will remember that in 1998 the board and its advisers, KPMG and Lazard, evaluated 15 different financing options. The first was to keep the whole operation in the public sector and use London Transport-backed corporate bonds, secured on future cash flows, to finance the capital investment. The second was to sell a 25-year franchise to the private sector to operate the whole system and to carry out the investment required. Fare levels and service frequency and quality were also prescribed. I think she will confirm that the London Transport board and its advisers suggested that if option 2 had been taken, it would have generated £2 billion for the public purse.

The board presented the Treasury and the Department for Transport with 15 different options. The Treasury started to exert influence for its favoured option. The Treasury Committee in 2001 noted that there was the

"excessive influence of the Treasury…to plump for a PPP scheme for London Underground to the exclusion of all other options."

It further stated that

"the Treasury…has begun to exert too much influence over policy areas which are properly the business of other departments. This is not necessarily in the best interests of the Treasury or the Government as a whole."

What was clear in the end was that out of those 15 options, the 14th best option was selected. The Government at the time said that the PPP would realise more than £16 billion and save more than £4 billion. The London Transport board and its advisers said that on a discounted cash-flow basis, the difference between options 1 and 2 and the 14th was a £3 billion cost to the taxpayer. Let us be clear about this: there was a cost to the taxpayer that could have been avoided right at the outset of the contract. It is also true, as the hon. Member for Lewes (Norman Baker) noted, that there was a bill of £500 million for lawyers. Mr. Travers, in his evidence to the Committee, said that the

"PPP is virtually impossible to understand"

[Stephen Hammond]

and that the Government had been naive in believing that nothing could go wrong with the contracts.

At the very heart of what we are considering—at the very heart of the report—is the fact that the PPP was imposed on London Transport against the advice of the board and the financial advisers. It was the man who was in charge of the Treasury at the time who is culpable and responsible for that. This month's issue of *Rail Professional* magazine says that

"the unravelling of the PPP at such expense to the tax payer is seen as a serious blow to"

the Prime Minister. The Prime Minister was responsible and is responsible. In the end, the total cost of the debacle will be much closer to £4 billion.

If the imposition of the structure of the PPP is one of the major causal factors, why did Metronet itself fail? In evidence to the Committee, Mr. Pimlott said that

"it ran out of cash because it spent too much money",

and Mr. O'Toole answered, "Metronet lacked control." Both of those may be correct, but they are not exactly insightful or particularly helpful.

As many hon. Members said, there is a clear difference between the two contracts and the two companies delivering them. The significant problem with Metronet was the tied supply chain. The same parent companies of Metronet were allowed to be organised into another company, Trans4M. It supplied the station upgrades and delivered only 40 per cent. of its obligations. What is clearly at the heart of the failure of the contract was conceded by Mr. Pimlott when he said that

"the contractual arrangements were a very negative factor"

and that

"it was a contract which gave Metronet very little in the way of leverage."

It was a building-type contract, not a PPP output-based contract. There was an issue that the tied supply chain was a major contributing factor to the failure of Metronet. It was unable to penalise underperformance and lack of delivery and could not hold back funds. The hon. Member for Manchester, Blackley (Graham Stringer) made the point that Mr. Pimlott said in his evidence to the Committee that when he tried to exercise that influence, he was threatened with litigation. Of course, that would be so, given that the contract was structured in that way. However, it is clear that Metronet's shareholders, along with the Government, are at the heart of its failure. Responsibility for the cost overruns and the lack of delivery to Transport for London lies principally with the management and shareholders. But if the tied supply chain is a problem for Metronet, another problem for it is that, as it argued to the Committee with some pertinence, part of its overspend and lack of delivery to Transport for London was due to TfL itself.

If the Mayor can be credited with having opposed TfL at the beginning, he can certainly be culpable for the way in which he acted in the operation of the Metronet contract. The Mayor and Transport for London—the Mayor tells everyone that they are interchangeable—were guilty of continual specification change. Mr. Pimlott gave the example of the upgrade of Lancaster Gate station. Metronet was asked to repaint it three times in different shades of grey because the board of Transport for London could not make up its mind. Mr. Lezala, Metronet's chief executive, said that that was indicative of London Underground's wasteful approach. He also said

"there are lots of examples... where we are spending twice as much as planned."

Harry Cohen: The hon. Gentleman is making up history, or giving us his own version of it. The PPP independent arbitrator blamed Metronet, not Ken Livingstone or the docklands light railway, for the cost overruns.

Stephen Hammond: Let us be accurate. The arbitrator split the costs, although I agree that he moved the balance of the costs towards Metronet. Metronet claimed £992 million; his view was that an efficient company might have required between £140 million and £470 million. The version of the truth that the hon. Gentleman has just given is not entirely accurate either. There was a splitting of the responsibility and the blame, and it seems to me that Transport for London was happy to play Russian roulette with taxpayers' money. It knew that if the arbitrator did not support its position, Metronet would not bear the costs and the taxpayer would. It is the fault of Transport for London, the Mayor and Metronet that an extraordinary review did not take place earlier. Transport for London and the Mayor can also be blamed for stating that there was no room for negotiation and no chance of a negotiated settlement. It is clear that the extraordinary review, had it occurred earlier, would have involved less cost to Londoners and to the overall public purse.

Susan Kramer: Is the hon. Gentleman aware that the contracts did not give Transport for London power to give extensive specifications and changes of specification? Perhaps such measures can be proposed, but they must be accepted by the infraco partner.

Stephen Hammond: It is clear to me that at the heart of the problem is an ill judged—on both sides—lack of understanding of what the contract meant. Metronet believed that it was providing a contract that was output based, while Transport for London believed that it was inheriting a fixed-price contract allowing it to respecify continually. The contract failed because Metronet spent too much money and did not deliver. Part of that was undoubtedly due to the tied supply chain, but another factor was the conflict between Transport for London and Metronet.

Metronet went into administration on 18 July last year, which has been described by the Secretary of State as "a terrible failure". A number of people may think that it is a rather spectacular failure. On 6 February the Secretary of State was forced to admit that the cost of the failure to the taxpayer was £1.7 billion, which was paid to Transport for London to cover the 95 per cent. debt guarantee, and £300 million to cover the costs of administration. Those costs are ongoing.

I believe that the PPP principle is sound, although it is not always a universal panacea; but it is not the principle that is being debated tonight, and it is not the

principle that is under threat from the report. It is a failure of the network and of Metronet's shareholders and management, but it is at heart a failure of the PPP contract that was set up and those who were responsible for that—and the person responsible for that contract was the Prime Minister.

9.45 pm

The Minister of State, Department for Transport (Ms Rosie Winterton): This has been an interesting debate, and I am sure it would have been even more lively if my hon. Friend the Member for Crewe and Nantwich (Mrs. Dunwoody) had been present. We all wish her a speedy recovery, but my hon. Friend the Member for Liverpool, Riverside (Mrs. Ellman) did a very good job in leading off the debate in her place. I wish to reiterate what my right hon. Friend the Secretary of State for Transport said to the Transport Committee in November last year: she welcomed the Committee's consideration of the tube public-private contracts and, in particular, of the background to the failure of Metronet. My hon. Friend the Member for Liverpool, Riverside set out the Committee's views and asked that the Government learn lessons from the failure of Metronet. I assure her that it is of great importance to the Government that we understand why Metronet has failed so we can learn the appropriate lessons for the future.

As many Members have said, the underground is central to London's economy, carrying approximately the same number of passengers per day as the entire heavy rail network of Great Britain. The hon. Member for Hammersmith and Fulham (Mr. Hands) talked about the increase in demand. That is true: since 1993, there has been approximately a 65 per cent. increase in people travelling on the underground, and London Underground expects demand to grow to 1.5 billion journeys a year by 2020.

When this Government came to power in 1997, the underground had suffered from decades of under-investment. As my right hon. Friend the Member for Greenwich and Woolwich (Mr. Raynsford) said, improvements to the Central and Jubilee lines had run both late and significantly over-budget. Given that backdrop, it was right that a Government committed to sustained investment in the tube should ask what structure was most appropriate to ensure successful delivery of the infrastructure work for passengers, at best value to all taxpayers. In arriving at their solution, the Government were guided by what had been learnt about effective public-private partnerships in others sectors and in other countries across the world.

As the hon. Member for Wimbledon (Stephen Hammond) said, at the core of the tube PPP was the desire for the parties operating, maintaining and improving London's underground network to focus on what they did best. That meant London Underground focusing on operating and setting strategic priorities for the network's development and bringing in private sector project managers to oversee the delivery of essential maintenance and upgrades, with appropriate transfer of risk.

Pointing to the Transport Committee report, the hon. Member for Lewes (Norman Baker) and my hon. Friend the Member for Manchester, Blackley (Graham Stringer) asserted that those principles were not tested. However, I can assure the House that those principles were rigorously tested as the PPP proposals developed. Considerable time and effort were expended in understanding the comparative value for money of the PPP versus conventional public sector-led procurement. That work, based on the public sector comparator, was independently scrutinised by KPMG and Ernst and Young, and subsequently the National Audit Office. Both found the methodology to be robust and fit for purpose.

The Government certainly recognise that Metronet has failed and that that has had a very real impact on the underground network and on passengers. They were, however, the corporate failings of Metronet and not failings of the entire PPP concept, as my hon. Friend the Member for Eltham (Clive Efford) said. Tim O'Toole, the managing director of London Underground, stated in July 2007:

"This is more about Metronet's structure than it is about the PPP."

Metronet did not deliver satisfactorily on its track renewal and station upgrade contracts, and that failure to control costs is what ultimately led to its collapse.

Mr. Hands: The Minister is also Minister for Yorkshire and the Humber. Given the seriousness of the Metronet situation, will she tell us what discussions, if any, the Prime Minister has had with the Mayor of London in order to find a solution?

Ms Winterton: I shall discuss the way forward, but I wish to emphasise that the Government are determined to learn the lessons of Metronet's failure.

Norman Baker: The Minister rightly says that Metronet was a failure, but she does not seem to accept the Treasury's failure. What lessons has it learned on letting these contracts?

Ms Winterton: I wish to discuss the background to the original thinking on PPP and to emphasise that the House should not lose sight of the wider context of the tube PPPs. The hon. Gentleman talks about the Treasury, but it is worth while remembering that the PPP secured significant additional investment at a time of many competing priorities for the public purse, as my right hon. Friend the Member for Greenwich and Woolwich said. The hon. Member for Hammersmith and Fulham would not answer questions about his party's position on privatisation at that time, as my hon. Friend the Member for Eltham said, and I noticed that the hon. Member for Wimbledon did not try to resile from the comments that he made.

It is important to remember that the London Underground PPPs are delivering performance benefits against the background of continuing growth in demand. The hon. Member for Putney (Justine Greening) said that no improvement had been made to the underground, but that is not true. Some 247 stations are programmed to be modernised or refurbished by 2010-11, and work on 91 stations has been completed; Tube Lines was expected to deliver 47 stations by the end of August 2007 and has done so; more than 115 km of track has been renewed, with delivery on some lines ahead of schedule; a fifth train is now in service on the Waterloo and City line during peak periods; a £40 million upgrade

[Ms Rosie Winterton]

on that line has improved reliability and reduced journey times; the extension of the Piccadilly line to Heathrow terminal 5 has been completed; and work on a new signalling system on the Northern line is ahead of the contract date.

As my right hon. Friend the Member for Greenwich and Woolwich, my hon. Friend the Member for Eltham and the hon. Member for Putney said, and as Terry Morgan stressed in his evidence, Tube Lines has delivered the 47 stations required by the end of August and is delivering the required increase in Jubilee line capacity, and not a single programme is running late. That shows that with the right approach to project management and a rigorous pursuit of efficiency, the PPP delivers.

Having said that, major works remain outstanding. My hon. Friend the Member for Leyton and Wanstead (Harry Cohen) asked about those. The PPP contracts were always structured so that major capacity improvements to the network were not going to begin immediately. Such major capital works demanded careful planning and preparation, and were scheduled to deliver significant capacity improvements in the PPP's second period—between 2010 and 2017. That schedule remains for Tube Lines, and I can assure him that London Underground will work to ensure that Metronet's work can be put back on track as quickly as possible.

Having set out the improvements made to the network, I reiterate that lessons must be learned from Metronet's failure if we are to secure continued improvements for passengers in the future. The hon. Member for Wimbledon and my hon. Friend the Member for Manchester, Blackley raised the issue of tied supply changes. Those are a common feature of PFI projects in the UK and in international project finance projects, but they demand effective governance. As many hon. Members have pointed out, when Metronet ran into difficulties, it did not have the appropriate corporate governance in place to resolve the situation at a sufficiently early stage. Only when the scale of the problems facing Metronet became apparent to its individual shareholders did serious attempts to restructure the business begin. Ultimately, the changes were then too little and too late to avert the company's collapse.

My hon. Friends the Members for Liverpool, Riverside and for Manchester, Blackley referred to the level of risk transfer to the private sector. At least three of Metronet's shareholding companies have already written off more than £300 million due to the failure of Metronet. Those losses are significant, but I do not dispute the fact that, as my hon. Friend the Member for Leyton and Wanstead and the hon. Member for Lewes pointed out, they failed to motivate Metronet's shareholders to address the company's failings sufficiently early, earnestly or effectively. I assure the House that we will want to ensure that risk transfer is appropriate, meaningful and effective in future contracting arrangements.

However, I remind the House that we are in a very different place from when the contracts were first awarded. The hon. Member for Richmond Park (Susan Kramer) pointed out the difficulty of knowing what assets were available. That is true, but Transport for London and London Underground now have a clearer understanding of the condition of the assets, so they should be able to bring more clarity to the specification and pricing of the contracts. The hon. Lady and the hon. Member for Lewes raised the issue of consultancy. I think that the hon. Lady was questioning not the need for consultants, but the need for different types of consultants.

My hon. Friend the Member for Liverpool, Riverside asked when Metronet will come out of administration. It is for the administrator for Metronet to decide how and when the Metronet business can be transferred out of administration. I can assure her that the Government stand ready to support the early transfer of Metronet's businesses, to ensure that they can be put on a stable footing as soon as possible.

Several hon. Members asked about the next steps. I can tell the House that a joint steering committee, with officials from Transport for London, London Underground, the Treasury and Partnerships UK, has been set up to develop options for the long-term structure of the former Metronet businesses. It will report to the Secretary of State for Transport and the Mayor of London by summer 2008.

The hon. Member for Richmond Park asked about the consideration of alternatives, and the Government are working closely with Transport for London and London Underground to form a view on the best structure for delivering improvements on the network. We have made no presumption about the right structure, nor do we have a predetermined view on the best financing structures to support delivery. However, in making its recommendations, the committee will consider all of the lessons learned from the Metronet PPP contracts, including the Transport Committee's views and today's very helpful debate.

I reiterate that the failure of the Metronet PPPs is a corporate failure, not a failure of the PPP contracts. However, we are working to understand the reasons for this failure and will ensure that the lessons learned from Metronet are understood and incorporated in any proposed long-term structure. That is a significant challenge, but my Department, Transport for London and London Underground are committed to ensuring the delivery of those essential improvements to the tube network is put back on track as soon as possible—

It being Ten o'clock, MR. SPEAKER *proceeded to put forthwith the deferred Questions relating to Estimates, pursuant to Standing Order No. 54(4) and (5) (Consideration of estimates).*

SUPPLEMENTARY ESTIMATES, 2007-08

HM Treasury

Resolved,

That, for the year ending with 31st March 2008, for expenditure by HM Treasury—

(1) further resources, not exceeding £7,092,000, be authorised for use as set out in HC 366,

(2) a further sum, not exceeding £11,841,000, be granted to Her Majesty out of the Consolidated Fund to meet the costs as so set out, and

(3) limits as so set out be set on appropriations in aid.

Department for Transport

Resolved,

That, for the year ending with 31st March 2008, for expenditure by the Department for Transport—

(1) further resources, not exceeding £2,059,473,000, be authorised for use as set out in HC 273,

(2) a further sum, not exceeding £1,859,129,000, be granted to Her Majesty out of the Consolidated Fund to meet the costs as so set out, and

(3) limits as so set out be set on appropriations in aid.

MR. SPEAKER *then proceeded to put forthwith the Questions required to be put, pursuant to Standing Order No. 55 (Questions on voting of estimates, &c.)*

ESTIMATES, 2008-09 (NAVY) VOTE A

Resolved,

That, during the year ending with 31st March 2009, a number not exceeding 41,270 all ranks be maintained for Naval Service and that numbers in the Reserve Naval and Marine Forces be authorised for the purposes of Parts 1, 3, 4 and 5 of the Reserve Forces Act 1996 up to the maximum numbers set out in HC 264 of this Session.

ESTIMATES, 2008-09 (ARMY) VOTE A

Resolved,

That, during the year ending with 31st March 2009, a number not exceeding 122,870 all ranks be maintained for Army Service and that numbers in the Reserve Land Forces be authorised for the purposes of Parts 1, 3, 4 and 5 of the Reserve Forces Act 1996 up to the maximum numbers set out in HC 264 of this Session.

ESTIMATES, 2008-09 (AIR) VOTE A

Resolved,

That, during the year ending with 31st March 2009, a number not exceeding 46,130 all ranks be maintained for Air Force Service and that numbers in the Reserve Air Forces be authorised for the purposes of Parts 1, 3, 4 and 5 of the Reserve Forces Act 1996 up to the maximum numbers set out in HC 264 of this Session.

ESTIMATES, EXCESSES, 2006-07

Resolved,

That, for the year that ended with 31st March 2007—

(1) resources, not exceeding £38,611,000, be authorised for use to make good excesses of certain resources for defence and civil services as set out in HC 294, and

(2) limits as so set out be set on appropriations in aid.

SUPPLEMENTARY ESTIMATES, 2007-08

Resolved,

That, for the year ending with 31st March 2008—

(1) further resources, not exceeding £14,190,565,000, be authorised for defence and civil services as set out in HC 273 and HC 290,

(2) a further sum, not exceeding £5,692,926,000, be granted to Her Majesty out of the Consolidated Fund to meet the costs of defence and civil services as so set out, and

(3) limits as so set out be set on appropriations in aid.

Ordered,

That a Bill be brought in on the foregoing resolutions relating to Supplementary Estimates, 2007-08, and Estimates, Excesses, 2006-07, and the resolutions of 5th December relating to Supplementary and New Estimates 2007-08: And that the Chairman of Ways and Means, Mr. Chancellor of the Exchequer, Yvette Cooper, Jane Kennedy, Angela Eagle and Kitty Ussher do prepare and bring it in.

CONSOLIDATED FUND (APPROPRIATION) BILL

Jane Kennedy accordingly presented a Bill to authorise the use of resources for the service of the years ending with 31st March 2007 and 31st March 2008 and to apply certain sums out of the Consolidated Fund to the service of the year ending with 31st March 2008; and to appropriate the supply authorised in this Session of Parliament for the service of the years ending with 31st March 2007 and 31st March 2008: And the same was read the First time; and ordered to be read a Second time tomorrow, and to be printed [Bill 85].

DELEGATED LEGISLATION

Ordered,

That the Non-Domestic Rating (Unoccupied Property) (England) Regulations 2008, dated 18th February, be referred to a Delegated Legislation Committee.—*[Tony Cunningham.]*

INTERNATIONAL DEVELOPMENT

Ordered,

That James Duddridge be discharged from the International Development Committee and Daniel Kawczynski be added.—*[Rosemary McKenna, on behalf of the Committee of Selection.]*

PETITION

Development (Essex)

10.2 pm

Bob Spink (Castle Point) (Con): I rise to present a petition on behalf of my constituents, who feel that their community is damaged by massive overdevelopment without the initial imposition of infrastructure to meet that development. They are particularly concerned that our community is becoming "flat land" and that the development of massive blocks of flats without facilities for families and for other people in our community, particularly the elderly, is not helpful to our community.

The petition states:

The Petition of Mrs Vanda Jimmick, residents of Hadleigh and others

Declares that Hadleigh, particularly the town shopping centre, should be protected from further overdevelopment, and that they feel the proposed development, at the corner of Oak Road North and London Road, replacing four commercial units with 30 flats and three large commercial units, with totally inadequate parking and access facilities, is environmentally damaging and local public services and road capacity are even now under great strain and unable to absorb more development, and that they feel that Hadleigh is becoming flat-land, and there is too much of this sort of housing provision, which is not suitable for families.

The Petitioners therefore request that the House of Commons urges the Government to implore the local borough council to reject the development of the corner of Oak Road North and London Road so the community can remain sustainable.

And the Petitioners remain, etc.

[P000143]

Harrogate Theatre

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Michael Foster.]*

10.4 pm

Mr. Phil Willis (Harrogate and Knaresborough) (LD): I am extremely grateful for this opportunity to open a short debate on the future of Harrogate theatre. I do so knowing that, although they may not be in the Chamber, dozens of other right hon. and hon. Members share my real concerns about the way Arts Council England and its regional bodies handled the 2008 to 2011 comprehensive spending review settlement.

Let me say immediately that I recognise the real difficulties Arts Council England faced this year. Budgets were already under severe pressure following the Government's seeming inability to control spending on the forthcoming Olympics. In many ways the arts, which arguably contribute far more to the nation's long-term well-being than four weeks of glory in 2012, have been sacrificed on the altar of illusionary gold medals.

It is unfortunate that Arts Council England chose this particular period to carry out

"the most comprehensive review of arts funding"

in its history, to quote its words. Few would disagree that renewal is essential if a vibrant arts culture is to survive, but the manner in which the change of strategy was planned and executed is unacceptable. For the chairman, Sir Christopher Frayling, to state:

"We decided at the beginning of the process that we were not just going to be a cashpoint machine with an over-complicated pin number"

was at best unfortunate, and at worst an arrogant demonstration of ignorance. The chairman clearly has little appreciation of how incredibly hard arts organisations struggle to meet the twin objectives of artistic quality and financial solvency. What is more, if Arts Council England believes that dropping potential funding bombshells on organisations a week before Christmas, then allowing a mere 18 working days to lodge an appeal, is a professional approach, something is seriously wrong.

Mr. John Leech (Manchester, Withington) (LD): I welcome this debate. "Bombshell" is the appropriate way to describe how some organisations found out about the potential loss of their funding. Is my hon. Friend aware that many organisations were given no indication that there was anything wrong with the way in which they dealt with their affairs? In fact, they were under the impression that they were fulfilling all the Arts Council England criteria, and did not for a second think that there was a possibility of losing their money.

Mr. Willis: I am grateful to my hon. Friend for his intervention, and I will come to that point later. On the speed with which the cuts were carried out, I trust that the Minister will, if nothing else, carry out an urgent inquiry into the processes used by Arts Council England to distribute taxpayers' money.

The furore that followed the December announcements resulted in a vote of no confidence in Arts Council England from distinguished writers and actors. Protests from Sir Salman Rushdie, Harold Pinter and Sir Ian McKellan to Joanna Lumley, among others, brought about some reprieves, but the net result is that a mere two weeks before the commencement of the new financial year, 185 organisations have had their grants totally removed and 27 face significant cuts that put their future in jeopardy.

One such organisation is north Yorkshire's highly regarded Harrogate theatre. Its grant will be reduced by a staggering 64 per cent. from £409,000 to £150,000 from 1 April this year. That comes after a partially successful appeal against Arts Council Yorkshire's proposal of 12 December to cut £300,000 from the 2008 grant. The actions of Arts Council Yorkshire frankly do not bear the lightest scrutiny. Indeed, they add currency to the view of Nicholas Hytner, director of the National Theatre, that regional arts councils function as "unacceptable fiefdoms".

On the point raised by my hon. Friend the Member for Manchester, Withington (Mr. Leech), on 7 August 2007 Harrogate theatre had its most recent annual review with Arts Council theatre officers. It was informed that a "positive" report would be forwarded to the Arts Council regarding the growing financial strength and proposed artistic direction of the theatre. Indeed discussions followed about an initiative called "the academy", a pioneering new artistic enterprise which brings together five regional theatres in a joint venture to nurture new talent by working with established professionals.

There was no indication of disinvestment at that time, nor was there any hint of cuts at the joint funders meeting on 5 November, when Arts Council Yorkshire, together with Harrogate borough council, North Yorkshire county council and the theatre agreed that the theatre had successfully completed recovery and refurbishment as agreed two years earlier. Yet one month later, proposals to cut 75 per cent. of the grant were received, with a miscellany of concerns that were an insult to the board and management of the theatre.

First, there was concern about programming, based almost exclusively on one problematic production, "Look Back in Anger" in 2005, co-produced by Pilot Theatre and the Oldham Coliseum. The wide range of critically acclaimed work produced over a 10-year period, including works from Terry Johnson to Arthur Miller, Yasmina Reza to Chekhov and Tennessee Williams to William Shakespeare, appears to have been totally ignored. On the basis of one production, Arts Council Yorkshire proposes that the theatre should become a receiving house only. To add insult to injury, both Pilot Theatre and the Oldham Coliseum, which collaborated on the production of "Look Back in Anger", received funding increases from the Arts Council for their innovative productions.

Secondly, concern was expressed about the programming operation that included large amounts of amateur productions and a long-running pantomime. In fact, Harrogate theatre does not programme amateur work; rather, amateur companies hire the theatre for their productions, just as the Crucible in Sheffield is hired for the world snooker championships, or other theatres hire space for conferences or corporate events. That is how regional theatres survive. Eighty-five per cent. of Harrogate's theatre time is devoted to professional theatre, with hiring making up less than 15 per cent. As for the Christmas pantomime, like many theatres this comprises

a huge windfall to support operating costs throughout the year. Perversely, whereas Harrogate's pantomime runs for six and a half weeks, that at the West Yorkshire Playhouse operates for nine and a half weeks and that at the York Theatre Royal seven and a half weeks, yet neither received a single word of criticism from Arts Council Yorkshire.

The third concern was the physical limitations of the theatre, which has just undergone, with the agreement of the Arts Council, a complete refurbishment paid for entirely by the public and Harrogate borough council. The theatre, built in 1900, with its Victorian proscenium, does not restrict but challenges production teams to place contemporary work in it. It is the same challenge faced by theatres across the region and across Britain. It is what makes theatre so exciting and innovative in the United Kingdom. Audiences in Harrogate theatre now have new seating in the auditorium, disabled access and lifts; backstage there have been massive technical improvements; and new refreshment facilities are planned for this summer—all known of, planned and approved by Arts Council Yorkshire.

Appallingly, none of these three main areas of concern was discussed with the theatre or the other funding organisations before December 2007. It is shameful that no details to support these criticisms have been made available for scrutiny. They appear to be convenient excuses to decimate the budget. I therefore ask the Minister in her reply to instruct Arts Council Yorkshire to publish these details and to do so immediately. The decision to disinvest will have a potentially catastrophic effect on Harrogate theatre and leave Arts Council England open to legal challenge. I urge the Minister to act soon.

At the heart of the concerns of Harrogate theatre, its staff and supporters is a sense of disbelief and injustice at the inconsistency, speed and finality of Arts Council England's decisions. In May 2007, Arts Council Yorkshire announced that it wished to put more money into the visual arts, and in so doing challenged the status quo—quite rightly. It claimed that by simply continuing to fund existing programmes, there was a danger of stagnation—a sentiment applauded by Harrogate theatre's chief executive, David Brown, and the whole trust board. Indeed, in response to the direction of Arts Council Yorkshire and its own appraisal of past programmes, the theatre board went to the Arts Council with its own programme for disinvestment and change. It agreed that it could not match the other six large Yorkshire theatres in full-blown productions, and it accepted that Harrogate's future lay in a mixture of smaller productions and received productions, along with the vital work of taking important theatrical art out into the rural communities of north Yorkshire and supporting arts education in north Yorkshire.

It appears that Arts Council Yorkshire used that highly professional dialogue as an opportunity to humiliate the theatre management, which is exactly what the advice letter of December 2007 appears to have done. Regional theatres should not be pigeonholed as either producing houses or receiving houses. A theatre needs to deliver a service that is relevant to its community, while engaging with innovative targets that provide a challenge for the art, artists, staff and audience.

In the past 10 years, Harrogate theatre has engaged with its community to a point where the community has provided support with its presence and its cash. Last year, 60,000 people attended live events with 10,000 tickets sold to first-time attendees. Over the same period, the public helped to raise more than £500,000 to carry out refurbishment. The theatre's education department has worked with students all over the region, engaging with more than 20,000 youngsters in theatre-related activity, 700 of whom are members of Harrogate youth theatre. Harrogate theatre has been at the heart of Harrogate life for more than a century, and it has a terrific future if Arts Council Yorkshire can be persuaded to think again about those insensitive and ill-informed cuts.

The theatre has proposed a 44 per cent. reduction in grant over the period of this comprehensive spending review with transitional support in the first year to assist with radical adjustment rather than an immediate 75 per cent. cut, which would bring havoc to the organisation. The scenario proposed by the theatre would allow a strong core operation of a specifically produced season aligned with a substantial education and outreach programme that would exist alongside alternative income streams, thus providing a valuable service to the people of Harrogate and north Yorkshire. It is a well thought out proposal that meets the Arts Council objectives, and it will keep the theatre alive in rural north Yorkshire. I plead with the Minister to use her office to seek a sensible and negotiated outcome.

Finally, I will be at Harrogate theatre on Thursday to share in a memorial tribute to a magnificent lady and a dear friend, Joan Mallett, who was not only vice-president of the theatre but a woman who devoted 47 years to the theatre as an actor, producer, director and board member. Shortly before her sad death, Joan said this about her life:

"I've been to a marvellous party!"

I am sure that a resolution to this problem would see Joan raise a glass to the Minister in heaven!

10.18 pm

The Minister of State, Department for Culture, Media and Sport (Margaret Hodge): I congratulate the hon. Member for Harrogate and Knaresborough (Mr. Willis) on securing the debate and on the passion that he has shown in the defence of the theatre in his constituency. He has highlighted something that I regard as extremely important, namely the contribution that theatre can make at the heart of community and the contribution that culture can make in building an identity and a feeling of belonging in communities up and down the country.

The hon. Gentleman has discussed the difficulties facing the Arts Council. I would not call them "difficulties"; I would reword that and call them "challenges". Those challenges are of the Arts Council's choosing, and they are challenges that the Arts Council has met and that we support. The Arts Council is looking more radically than it has ever done in the past at the organisations that it chooses to fund regularly. It is easy to forget that just 10 years ago many of our theatres were struggling to survive, because they were caught in a downward spiral of deficits and because funding was inadequate.

The situation has been transformed by our achievements in the past decade. There has been a 73 per cent. real-terms increase in funding to the Arts

[Margaret Hodge]

Council, which has meant the doubling of funding for the theatre, and the theatre sector has responded in the best possible way by improving the quality of its work and growing its audiences. According to our last survey, nearly a quarter of adults attended a theatre performance in 2005-06.

I managed to go to the theatre tonight before coming to this debate. I saw "Random", by Debbie Tucker Green—a terrific, powerful play at the Royal Court. I could not resist the temptation of seeing how excellently it had been directed by Sacha Wares. The solo part was powerfully performed by Nadine Marshall. The play touched on many issues that I know are close to the hon. Gentleman—it was about a black family who had lost a boy through a stabbing. The best line of the play was:

"Don't trouble trouble 'til trouble trouble you."

That will stay with me.

I am proud of the Government's record of recognising and supporting the arts and of the great achievements that the arts sector has delivered with that investment. In October last year, we announced that grant in aid funding for Arts Council England would rise to £467 million by 2010-11, an increase of 3.3 per cent. above inflation. In our tight fiscal environment, that is good. It will represent an extra £50 million above inflation by 2010-11. On 1 February this year, the Arts Council announced its spending plans for the coming three years. Some 753—that is, three out of four—of its regularly funded organisations will receive increases in their funding in line with, or above, inflation and 81 new organisations will be invited to join the regularly funded portfolio.

Let me spell out to the hon. Gentleman what that means for theatre. In 2007-08, annual investment will be £101 million. Proposed investment between 2008-09 until the end of the spending review period is £318 million, a cash-terms increase of 8 per cent. There are 223 organisations and 21 new organisations in the portfolio. Producing theatres remain central to the theatre infrastructure of this country and many organisations are receiving above-inflation uplifts, including the New Wolsey in Ipswich, the Oldham Coliseum, the Arcola in London, the New Vic in Stoke-on-Trent, the Northern Stage in Newcastle and the Hull Truck Theatre Company. Funding for organisations in the theatre sector in Yorkshire will rise from £7.2 million to £7.5 million, an increase of 4 per cent. in cash terms. Overall, Arts Council England will invest nearly £81 million in Yorkshire between 2008 and 2011.

In that context of good news, there has been bad news for some organisations. There will be 43 non-renewals and reductions, including the Harrogate theatre. However, I say to the hon. Gentleman in all sincerity that politicians have to stay away from making decisions on what and what not to fund. Since the Arts Council was founded in 1946, it has been a fundamental principle that funding decisions for individual arts organisations should be made by the council, at arm's length from the Government. When the Leader of the Opposition had a meeting with the Arts Council, he said that he hoped it was not going to fund too many one-legged, Lithuanian lesbian organisations. I hope that he understands why it is so important that we maintain our distance; we do not want those sorts of values to inform funding decisions made by the Arts Council.

The arts change and grow, and it is right that the council's funding plans should reflect that and make room for new talent to develop and succeed. We would not want it to fund the same organisations at the same level year after year. That is why I support the approach that has been taken, although it has led to some difficult situations.

I turn directly to the issues raised by the hon. Gentleman. I urge him to seek a meeting with his regional arts council and with Harrogate theatre to understand better the funding decision. The reason why some of the underpinning rationale for the decision has not been made public is that it is seen as a confidential relationship between the organisation and the Arts Council. It would benefit him, and the theatre, if he had that open, face-to-face discussion with the Arts Council.

I hope that the hon. Gentleman accepts the principle that the Arts Council should not fund things in the present and the future just because it has funded an organisation in the past. However, I understand that this year's process has been painful, and I know that the Arts Council will itself want to review it to see how it can do things better next time. Again, that is something for it, not for us to do, because that would be an unacceptable intervention.

Taking the actual position on Harrogate theatre, in 2006-07 the Arts Council grant was nearly £400,000—27 per cent. of total income. In 2008-09, as the hon. Gentleman said, it will reduce to £150,000, which means that about 10 per cent. of its income will be met from Arts Council grant. As I understand it, the theatre therefore faces a cut in grant but not closure. In 2006-07, it earned £700,000 from box office receipts and from activities such as incoming tours and co-productions. It also gets a grant of just under £200,000 from the local authority. It is interesting enough to look at those figures, but there is another aspect: The figures given to me say that £40,000 came from donations and sponsorship and £40,000 from fundraising events.

One of the bits of work that I am trying to do, right across the cultural and arts field, is to try to move these organisations from a total dependence on public subsidy to what I would term a much more social enterprise culture, so that they see themselves with a range of funding streams, not as completely dependent on public funding. That is hugely important, not only because it means that they are not dependent on the vagaries of public funding expenditure rounds but because it gives them an independence that allows them to be much more innovative and adventurous than if they are always looking over their shoulder at the public sector.

The hon. Gentleman's region happens to be rather well supplied with producing houses, including West Yorkshire playhouse in Leeds, York Theatre Royal, Hull Truck Theatre Company, Stephen Joseph theatre in Scarborough and the Crucible theatre in Sheffield. A view will probably have to be taken on that regional infrastructure. There is also a range of Arts Council-funded receiving houses in Yorkshire. Lawrence Batley theatre in Huddersfield and Theatre Royal Wakefield

are comparable in scale to Harrogate theatre. Lawrence Batley theatre will receive £120,000 from the Arts Council—not that different from Harrogate theatre—and Theatre Royal Wakefield will receive £96,000. As a receiving theatre, Harrogate does not do that badly.

Many of the organisations that face challenges over their funding this year were surprised. I think that that is because the Arts Council has never undertaken this exercise in the past, and nobody really believed that they would undertake that radical reform to ensure that we fund those organisations that will contribute to future developments. I am told that the theatre was first informed on 12 December 2007. That was a little late, partly because we as a Department took the view that we would not take an early settlement under the comprehensive spending review but hold out for a much better settlement from the Chancellor. That worked in our favour so that we were able to inflation-proof and grow a little bit the totality of the funding to the Arts Council.

The Arts Council told the theatre that it believed that over several years performance had been consistently weaker than other parts of the regional building- based producing theatre network. It says that that was set out in the letter of 2005, and it did not change its view. It recognised that the managerial and financial improvements delivered in the past year addressed some of the issues that it had raised previously, but the inherent weaknesses of the organisation in relation to the quality of the programme and the long-term challenge of the theatre's physical limitations informed the decision that it took. The council thought that the current programme and operation, with large amounts of amateur productions, a long-running Christmas show, and the toured-in work to which the hon. Gentleman referred, is more indicative of a middle-scale receiving theatre than a producing one. It felt that that made its current investment disproportionate.

In the light of those remarks, the Arts Council wanted to enter into discussions with the theatre and other funding partners to explore options for presenting performing arts work in the town. It remained unconvinced that the theatre has the capacity to build and sustain high audience levels for a year-round programme of quality produced work and thus it believed that the scale of its previous investment did not represent value for money.

As the hon. Gentleman will know, representations were made by the Harrogate theatre to the Yorkshire regional arts council, which then met to consider those representations at the end of January. At that meeting, the regional arts council could not accept the argument from Harrogate theatre for an alternative level of reduction, as the hon. Gentleman proposed. However, it acknowledged that Harrogate theatre was distinctive from other similar scale receiving theatres in its significance to a large rural area. That argument, advanced by the theatre and the local authority funding partners when they talked about the importance of maintaining significant rural outreach, youth and educational work, informed the regional arts council's decision to raise the level of support that it was willing to give. That is how we ended up with the £150,000 figure.

I know that my response will not please the hon. Gentleman as much as he would have liked, but I urge him to deal with the issue. I hope that he understands the important reason why Ministers do not engage in challenging such decisions. Our task is to ensure that any information we have is put before the Arts Council, but the decision has to be for the council. I support the proposition that underpinned its strategy this year, which was to refresh its portfolio to fund innovative, new theatre organisations so that the cultural ecology of the UK could remain pre-eminent in the world today. Within that policy, there will always be challenges for individual theatres, and for the theatre sector as a whole, but we are in a better position to meet those challenges, and to make the most of the new opportunities on offer, than we ever have been before. I hope that, in that spirit, the hon. Gentleman will accept my response.

Question put and agreed to.

Adjourned accordingly at twenty-eight minutes to Eleven o'clock.

House of Commons

Tuesday 11 March 2008

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

FOOT AND MOUTH DISEASE

Resolved,

That an humble Address be presented to Her Majesty, That she will be graciously pleased to give directions that there be laid before this House a Return of the Report 'Foot and Mouth Disease 2007: A review and Lessons Learned', conducted by Dr Iain Anderson.—*[Mr. Khan.]*

Oral Answers to Questions

JUSTICE

The Secretary of State was asked—

Detention Facilities

1. **Tom Brake** (Carshalton and Wallington) (LD): What recent estimate he has made of the cost of using police and court cells for holding prisoners in 2007-08. [192753]

The Secretary of State for Justice and Lord Chancellor (Mr. Jack Straw): The most recent estimate of the cost of holding prisoners in police cells in the financial year 2007-08 is approximately £68 million. During the 2007 calendar year, an average of 181 prisoners a night were held in police cells. Court cells were used to accommodate prisoners overnight between January and June 2007, and again in February this year. Invoices to the value of £1.73 million have to date been paid.

Tom Brake: I thank the Secretary of State for confirming that the cost is indeed very expensive, at £460 a night, which is the price of a family holiday to the Canary islands. Does the Secretary of State not agree that, rather than pressing magistrates to consider non-custodial sentences, which they do already, a more effective way of reducing costs might be look into the care that prisoners with mental health problems receive when they are in prison, which the last report by the chief inspector of prisons described as being "inappropriate for the level of need"? It would enable us to ensure that such care addressed the full range of prisoners' needs, reducing the risk of their reoffending upon release.

Mr. Straw: If the Liberal Democrats are departing from their support for community sentences, perhaps we should all know.

David Howarth (Cambridge) (LD) *indicated dissent.*

Mr. Straw: Apparently that is not the case.

Let me deal with the serious point that the hon. Member for Carshalton and Wallington (Tom Brake) raised about the treatment of mentally ill offenders. The chief inspector's report acknowledges the considerable progress we have made in the treatment of mentally ill offenders. We are transferring many more from prisons to more appropriate facilities in the national health service, and since 2003 the NHS has been responsible for health care inside prisons. However, I accept, as I think the whole House does, that we must do more, and we are doing more. In addition, my noble Friend Lord Bradley is currently conducting a major review to see what further imaginative steps we can take to achieve the end that we all want, which is that prison should deal with serious and persistent offenders who do not have serious mental health problems; those who do are better dealt with elsewhere.

Mr. Nigel Evans (Ribble Valley) (Con): I hope that the Secretary of State will be able to look at the costs again. At more than £460, it is almost cheaper to put prisoners in a five-star hotel anywhere in the United Kingdom. That clearly cannot be right. Part of the problem is that it costs, I understand, under £1 to feed a child in school and about £3 to £4 to feed a patient; yet to feed a prisoner in one of those cells costs about £12. Will the Secretary of State look again at the costs associated with keeping prisoners in police cells?

Mr. Straw: I agree with the hon. Gentleman: the costs are too high. Having to use police cells is very much not just a second best, but a third best. I simply say that we use them a great deal less than the Administration that he supported. Of course, he is correct to talk about hotel accommodation, but one can freely leave hotel accommodation.

Mr. Evans: You can leave most cells!

Mr. Straw: For the record, fewer people escaped from prison last year than escaped in a week under the previous Administration in 1992.

Mr. David Burrowes (Enfield, Southgate) (Con): Is it acceptable that yet another weekend has gone by when prisoners from courts on Friday were locked out of their full local prisons to be transported across the country to police and court cells, and then back to court on Monday? Rather than spending the equivalent of a night not just in a four-star hotel, but at the Ritz, on housing prisoners, surely it would be a better use of taxpayers' money to spend more than £35 million on providing more than 400 new prison places.

Mr. Straw: We have provided additional prison places at twice the rate of the previous Administration—2,000 a year on average, compared with 1,000. None of us believes that the use of police or court cells is acceptable. We want to get prisoners out of them as quickly as possible. However, while the hon. Gentleman's memory might be short, mine is a little longer. On average, we used 181 police cells a night last year, but the rate was running at 1,100 a night in 1991-92; indeed, back in November 1980, the use of police cells peaked at an astonishing 3,540. I will take lectures from a lot of people, but not from those on the Opposition Front Bench.

2. **Angela Watkinson** (Upminster) (Con): What consideration his Department has given to acquiring a prison ship. [192754]

The Minister of State, Ministry of Justice (Mr. David Hanson): In December last year, we accepted recommendations made by Lord Carter of Coles on prisons, which included the acquisition of a prison ship. We have already made it clear that we intend to commence a new competition for such a vessel.

Angela Watkinson: I thank the Minister for his reply. In October 2006, the Home Office said it was looking for a new prison ship, and in December last year the Secretary of State said that the Ministry of Justice was actively looking to secure a new prison ship. What confidence can we have that this latest effort will not sink without trace, as the last two did?

Mr. Hanson: The hon. Lady should recognise that we have had a competition for a prison ship; I commenced and closed that competition in January this year, because no suitable ships were found. We have commenced a new competition and we will assess the initial market test bids in April this year. If it is economic for the taxpayer—that, I am sure the hon. Lady will agree, should be our criterion—we will start the purchase of such a ship. Our key test, which has not been met to date, is that providing those additional places should be economic for the taxpayer.

David T.C. Davies (Monmouth) (Con): Could that failure to purchase a prison ship have led to this situation in my constituency? A serial robber with more than 100 convictions was able to walk free from an open prison just three years into an 11-year sentence. Will a Minister please agree to meet me to discuss the issue for 15 minutes? It has caused huge concern in my constituency.

Mr. Hanson: I will always happily meet any Member of Parliament about any issue. If the hon. Gentleman had raised the matter with me before he took up the time of the House today, I would have agreed to meet him then. When we do meet, I hope that he will have done his research—looked at the number of absconds and escapes in 1996-97 and compared it with that in 2006-07. He will find that the performance of this Labour Government has been immensely better than that of the Conservative Government. There were 33 category C escapes in the last year of that Conservative Government; there have been only two, to date, in the latest year of this Labour Government. The hon. Gentleman must do his research before bringing his recommendations to me.

Bail Accommodation

3. **Mr. Stewart Jackson** (Peterborough) (Con): What his Department's policy is on housing offenders in bail accommodation; and if he will make a statement. [192755]

The Minister of State, Ministry of Justice (Mr. David Hanson): The Government are providing offenders who are eligible for release on home detention curfew but have nowhere to live, and defendants whom the courts decide can safely be bailed, with accommodation and support in the community.

Mr. Jackson: Unfortunately, ClearSprings Management Ltd has a number of properties in my constituency, which is testament to the disaster of penal policy under the Government. What message does the Minister want to convey to my constituents, given that they see people who should be in prison moving into their neighbourhoods? That has happened without any proper consultation or information for local residents. Is it not time that the Minister reassured the public and that the scheme was scrapped?

Mr. Hanson: I am grateful for the hon. Gentleman's comments. Currently, there are four ClearSprings properties in Peterborough. He knows that there has been consultation with the police, the local probation board and Conservative-controlled Peterborough city council about those properties, but none of them has raised any objections. None of the properties' neighbours has raised any objections either, and the scheme is working well. The hon. Gentleman has raised objections now during parliamentary questions, but he should discuss the issue with his colleagues at Peterborough's Conservative city council—they could have stopped the scheme had they raised objections when it was proposed.

Julie Morgan (Cardiff, North) (Lab): My right hon. Friend will be aware that there is very little suitable and safe bail accommodation for women; in fact, many women prefer to be in prison because of the nature of the bail accommodation offered. Does he not agree that more and suitable bail accommodation for women and more support services to go with it are essential?

Mr. Hanson: My hon. Friend is absolutely right. One of the purposes of the ClearSprings scheme is to ensure that women in particular can be bailed rather than await their sentences and court hearings in prison. That means that families can stay together and that many children are not taken into care. Ultimately, many of those women may not be given a custodial sentence. The scheme is an economic and efficient use of resources and it helps keep families together. I commend it to the House.

Dan Rogerson (North Cornwall) (LD): The Minister and I have corresponded on the ClearSprings proposals for Bodmin in my constituency. He will be aware that under Government guidelines there should have been consultation with the local authority. That did not take place on this occasion. Will the Minister agree to publish the evidence showing that there is a need for such a facility in Bodmin, and urgently review the instruction he has given ClearSprings to provide it?

Mr. Hanson: From recollection, I should say that I have written to the hon. Gentleman in the past day or so about the scheme that might operate in the North Cornwall constituency. I shall certainly consider his objections. However, the issue remains: if, when ClearSprings proposes a property, the police or the local council object to it being used for such a purpose, it will be withdrawn from the potential use. If North Cornwall district council objects, we will certainly revisit the scheme and examine the hon. Gentleman's concerns.

Jeremy Wright (Rugby and Kenilworth) (Con): In respect of ClearSprings hostels, particularly the accommodation of offenders on home detention curfew, will the Minister confirm, first, that subject to any risk to the staff working in the hostel there is no exclusion for violent offenders and, secondly, no exclusion for persistent and prolific offenders? If he can confirm both those points, is he surprised that there is a significant level of local opposition to the hostels?

Mr. Hanson: The hon. Gentleman will know—I am sure he does—that sex offenders subject to notification requirements under the Sex Offenders Act 1997, violent and sex offenders currently serving an extended sentence, prisoners who fail to comply with curfew orders, fine defaulters, foreign national prisoners, prisoners charged with homicide, causing explosions, possession of offensive weapons, possession of firearms, cruelty to children or racially aggravated offences, among others, are not entitled to home detention curfew. Prisoners who are on such curfew or are on remand in the community rather than taking up valuable prison places are thus prisoners who have committed lower categories of offences. I hope that that will reassure the hon. Gentleman.

Prison Places

4. **Miss Anne McIntosh** (Vale of York) (Con): How many additional prison places have been created for young offenders and adult offenders since 1997. [192756]

The Secretary of State for Justice and Lord Chancellor (Mr. Jack Straw): An additional 21,000 places have been provided since 1997, of which about 2,500 have been for young offenders.

Miss McIntosh: We learn that prisons are full and that those convicted of burglary and theft will not be given custodial sentences if they are addicted to drugs or other substances. What message are the Government sending to people who have been convicted, and in those circumstances how can he persuade them not to go on and reoffend?

Mr. Straw: I am sorry to tell the hon. Lady that what she says is not correct. The Sentencing Guidelines Council recommendations on certain offenders are intended for consultation. If the hon. Lady or her colleagues on the Opposition Front Bench have comments to make about them, let us receive them. *[Interruption.]* I have just received some of them. If the hon. Lady goes around prisons now or in six months' or a year's time, she will find that a large number of burglars—some prolific, some less prolific—and drug offenders are quite properly there because prison is where they should be. At the same time, however, Conservative Front Benchers have just issued some proposals—the hon. Lady needs to be aware of them—for a "rehabilitation revolution", so—

Mr. Speaker: Order.

Ms Dari Taylor (Stockton, South) (Lab): Is it not time that we placed more emphasis on link and support workers so that when prisoners are on release, they have a chance of remaining within their community? Currently, 150 prisoners could be released from Holme House prison, yet there are only two link workers, so we would be asking them to do the impossible. We would need fewer prison places if we supported these prisoners more on release.

Mr. Straw: I accept that we have to do more, but we have done a huge amount to improve training within prisons and to improve the link between training, probation and life outside prison; and through offender managers and probation officers we have sought to get serious offenders through prison and then through probation.

Mr. Philip Hollobone (Kettering) (Con): What discussions has the Secretary of State had with the Home Secretary about making provision for 20,000 rehabilitation places so that hard drug users aged 18 to 25 can be offered a clear choice: either get rehabilitated and off drugs or go to prison? If we emphasised that if they fail to complete their rehabilitation, they will go to prison, would it not send out a clear message?

Mr. Straw: I have many discussions with my right hon. Friend the Home Secretary about drug issues, which are at the root of so much crime—notwithstanding the fact that crime has come down so much over the past 11 years. *[Laughter.]* It has come down by 30 per cent. across the country, including in nearly every constituency represented by Conservative Members. *[Interruption.]* Hon. Members should not mock official statistics, which are now under the control of Parliament. Conservative Members are rightly happy to quote statistics against us, but they need to recognise the good work of the police, the probation service and their own local authorities in bringing crime down.

On the hon. Gentleman's specific point, orders are already provided to courts by which precisely the choice that he mentions is given to drug users and drug offenders. The difficulty is not in laying down the law, but in ensuring that these people who lead very chaotic lives get the point. The reason the number breaching probation has gone up from 300 in 1997 to 5,000 today is partly the enforcement of such orders.

Mrs. Madeleine Moon (Bridgend) (Lab): At 40 per cent. less cost, community sentencing can deal with four times the number of people who are in prison. We know that community sentencing is 14 per cent. more successful in terms of the reoffending rate. Should we not be looking at extending community sentencing, rather than increasing prison places?

Mr. Straw: We have to do both. We need to provide, and we are providing, an increase in prison places at a faster rate than has happened before. Alongside that, we are greatly strengthening the provision of probation. My right hon. Friend the Minister of State announced this morning an additional £40 million of funding for probation.

Mr. Dominic Grieve (Beaconsfield) (Con): In January, the Ministry of Justice claimed that the

"current prison building programme...continues apace, with over 2,500 places to be delivered in 2008".

How many of those 2,500 places are the shortfall on the failure to deliver on the 2,500 places promised for 2007 by the then Prime Minister, Mr. Blair? What prospect is there of their being delivered, given that the latest statistics suggest that, since December last year, the number of prison places has in fact fallen by one?

Mr. Straw: The number of prison places has not fallen by one, I assure the hon. and learned Gentleman, because we continue to ensure maximum safe use of existing accommodation. In addition, last year, 1,522 places were provided; this year, he is right to say, we are providing about 2,500 additional places. We will continue to provide additional places up to the net 96,000 by 2014.

Drugs (Prisons)

6. **Lyn Brown** (West Ham) (Lab): What steps he is taking to tackle the availability of illegal drugs in prisons. [192758]

The Minister of State, Ministry of Justice (Mr. David Hanson): Prisons have a comprehensive framework of supply reduction measures and have achieved considerable success. Drug use as measured by random mandatory drug tests has dropped by 64 per cent. since 1996-97. I have announced today that the director general of the Prison Service has commissioned David Blakey, former inspector of constabulary, to conduct a review of the effectiveness of the measures to disrupt the supply of illicit drugs into prison.

Lyn Brown: I thank the Minister for his answer and welcome today's announcement on the control of the supply of drugs. Can he confirm that the review will include the tightening of controls around the smuggling of items such as mobile phones into prisons? I understand that some prisoners use mobile phones in their cells to continue the criminal, drug-related activity that they were happily pursuing outside.

Mr. Hanson: I am grateful to my hon. Friend, because she highlights one of the key issues that we need to address—mobile phone usage in prison. We are examining closely what else we can do, and I am sure that the former inspector of constabulary, Mr. David Blakey, will consider that issue as a particular concern. We have employed mobile phone detectors in high-security prisons, and we are analysing recovered phones and working hard to monitor mobile phone traffic so as to take strong action. We will take further action in due course in the light of the report.

Mr. Geoffrey Cox (Torridge and West Devon) (Con): Dartmoor prison in my constituency has an excellent resettlement unit, but it has been devastated by a Prison Service decision to remove those who were working in the unit and ship in, as a result of overcrowding, people in the last few weeks of their sentence, thus undoing all the unit's good work. Will the Minister look into what has happened at Dartmoor prison and urgently restore the resettlement unit to do the good work it has been doing for the past few years?

Mr. Hanson: Following Question Time, I will certainly look into the situation in Dartmoor, as I am not aware of the issues that the hon. and learned Gentleman raises. I give him an assurance that we are committed to ensuring that we have reintegration back into society and resettlement of prisoners when they leave prison, and to trying to make prisoners drug free and rehabilitated away from the problems that often led them into crime in the first place.

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): May I support the point made by the hon. and learned Member for Torridge and West Devon (Mr. Cox)? When the Minister considers the issue, will he also look at schemes in Plymouth that try to stop the revolving-door syndrome, not just from Dartmoor prison but from Exeter prison, which has been doing some very good work but needs additional support?

Mr. Hanson: I am keen to ensure that we take action on drugs in prison. The vast majority of people who go into prison have a drug problem. Unless we use their time in prison to tackle that problem and to reintegrate them into society, they will continue to have a drug problem outside, and that will lead to further crime.

I am happy to look at the schemes in operation in Plymouth and at Exeter prison. We have already announced an additional 1,000 mandatory drug schemes in the community across the country for the next financial year, and I hope that the review announced today has given impetus to what else we can do to stop the vile trade of drugs in prison, which can involve people outside prison. We certainly need to take strong measures to stop that.

Mr. Christopher Chope (Christchurch) (Con): Is it not shameful that there is not a single drug-free prison in the country at the moment? Will the Minister accept my challenge to create one drug-free prison by the end of the year?

Mr. Hanson: I point out to the hon. Gentleman, as I did in the answer, that there has been a 64 per cent. fall in drug use in prison in the past 10 years. I know, and I am sure that on reflection he knows, that it is immensely difficult for the Prison Service to prevent drugs from entering prisons in every circumstance—*[Interruption.]*— but I hope to do that. If he looks at the paper produced in January on the prison policy update, he will know that we are trying to introduce drug-free wings in prisons. One of this year's objectives is to secure and increase the number of drug-free wings in prison. I hope that we can have a drug-free prison in the next 12 months, but he will know that that is a tremendous challenge. We have improved matters with the 64 per cent. drop in drug use since his Government were in power and we intend to do more.

Mr. Fabian Hamilton (Leeds, North-East) (Lab): May I commend my right hon. Friend on the fall in the number of drugs circulating in prison? However, what can be done about the way in which some people outside prisons try to smuggle drugs in, not by coming into the prison, but by, for example, stuffing the bodies of dead birds with drugs and throwing them over the walls of the prison so that prisoners can retrieve them, as highlighted in the report of the all-party prison health group recently?

Mr. Hanson: The Prison Service and the police are vigilant to all methods of trying to secure the flow of drugs into prison. We have to look at attempts to

project material over walls into prisons. There are ways in which prisoners and people outside try to smuggle drugs in through the supplies to prisons. Occasionally, a very small number of staff are convicted of trying to smuggle drugs into prison. We take the problem extremely seriously. The continuing use of drugs in prison is one of the most dangerous aspects of prison life. I assure my hon. Friend that we will do all we can. Today's announcement, and indeed announcements that I hope to make in the next few days on further initiatives on drugs, will, I believe, reduce still further the amount of drugs in prison and improve on the 64 per cent. fall in drug use that we have achieved in the last 10 years of a Labour Government.

Mr. Humfrey Malins (Woking) (Con): The Minister's answers have been deeply unsatisfactory. A number of convicted women prisoners in Send prison in Surrey are bravely trying to tackle their drug addiction by going through the RAPt—the Rehabilitation for Addicted Prisoners Trust—12-step rehab programme. They tell me—is this not astonishing?—that their efforts are hindered by the ready availability of hard drugs throughout that prison. It is not just one prison that we need drug-free, but Send prison and many more need to be drug-free as well. We need action, not words.

Mr. Hanson: I know that the hon. Gentleman takes a keen interest in the matter for genuine and important reasons. If he looks at the prison update policy paper produced in January, he will see that it records what we are doing: 440 active search dogs; CCTV surveillance on all social visit areas; low-level fixed furniture in category C prisons and above; measures taken in conjunction with the police to police visiting areas; mandatory drug testing with around 60,000 random and 40,000 targeted tests each year; telephone intelligence; new machinery to recover mobile phones; and the supply of good practice to prisons to help to have effective measures nationally.

A tremendous amount of work is going on. The review that I announced today is a precursor to further recommendations coming to the Government by May this year. I intend to make further statements to the House before the end of the week on other measures that we are taking. I hope that the hon. Gentleman will support us in those efforts.

Community Sentences

7. **Mr. Siôn Simon** (Birmingham, Erdington) (Lab): What assessment he has made of the effectiveness of non-custodial community sentences in preventing reoffending. [192759]

The Secretary of State for Justice and Lord Chancellor (Mr. Jack Straw): Not all the data that I am about to give can be explained by the sentences imposed. That said, the latest available data for the 2004 cohort of adult offenders show that reoffending by those serving community sentences decreased by 6.7 per cent. between 2000 and 2004. Among the 2004 cohort of offenders the proven rate of adult reoffending within two years of custodial sentences was 64.7 per cent., compared to 50.5 per cent. in the case of community sentences.

Mr. Simon: I am grateful to the Secretary of State for his answer and I am glad that everything is going so well with adult non-custodial sentences, but when I visited the Erdington youth offending service team last week I was struck by the wide variety of strategies and programmes existing under the overall umbrella of non-custodial sentences. Will the Secretary of State tell us a little about how the Department assesses programmes, and how it decides what works and what does not? It is important to be able to explain that to people. Perhaps the Secretary of State would like to meet me for a little chat about it.

Mr. Straw: Yes to the little chat, or even a long chat.

It is fundamental to the effectiveness of and public confidence in community sentences, whether they are imposed on juveniles or adults, that they work and are rigorously assessed. My Department and the Home Office spend a considerable amount of public money on research and statistics to ensure that that happens. The new chair of the Youth Justice Board—*[Interruption.]* She is a woman, which is why I am not calling her the chairman. She is well aware of the importance of ensuring the effectiveness of community sentences.

Mr. Elfyn Llwyd (Meirionnydd Nant Conwy) (PC): A few weeks ago, I had an exchange with the Secretary of State about the possibility of introducing phased community penalties. The first few months would be devoted to getting people off drugs, while the next few months would be concerned with employment and reintregrating people in society. Would either the Secretary of State or the Minister of State be prepared to meet me, and representatives of the National Association of Probation Officers, to discuss the matter further?

Mr. Straw: Of course. There is no single truth about how such sentences can be made to work better, but we all agree about the aim. The more effective we can make them—and there is no monopoly in ideas—the better it will be for our communities.

Ian Lucas (Wrexham) (Lab): Given that we know that non-custodial sentences are just as effective in preventing reoffending as custodial sentences, why do the courts still persist, in breach-of-trust cases, in sending individuals who pose no danger to the public to prison for long terms? Is it not time that we adopted a different approach to, for instance, those who commit theft from employers, and punished them effectively in the community rather than in prison?

Mr. Straw: It is important for the courts to have at their disposal a wide range of sentences to deem appropriate in the circumstances with which they are dealing. It is an important part of our democracy that we have an independent judiciary, and that we do not criticise sentences when they are passed but rely on the judgment of the judiciary. As for breach of trust, I fear that my hon. Friend and I may simply take different views. My view is that it is an aggravated element of an offence if someone who is trusted by his employer to hold money egregiously breaks that trust.

Mr. Mark Harper (Forest of Dean) (Con): How many prisoners who are currently serving short sentences does the Secretary of State think should not be in prison?

Mr. Straw: That is an interesting question, which both the right hon. Member for Haltemprice and Howden (David Davis) and the hon. and learned Member for Harborough (Mr. Garnier) have sought to answer. The right hon. Member for Haltemprice and Howden has said that he wants prisoners not to be remanded in custody if they can safely be remanded elsewhere. The question is how we can make bail and non-custodial sentences as effective as possible. That will include measures such as home detention curfew and tagging, to which the Conservatives have objected but which is one of many measures that have led to much safer communities. Notwithstanding the mocking laughter that we hear from Conservative Members, the fact is that the public are increasingly aware that crime has fallen under this Government, whereas under the Conservative Government it doubled.

Prison Overcrowding

8. **Andrew Rosindell** (Romford) (Con): How many convicted criminals served reduced sentences as a result of prison overcrowding in each of the last four years. [192760]

The Parliamentary Under-Secretary of State for Justice (Maria Eagle): End-of-custody licence was introduced on 29 June 2007. Under the scheme, up to 31 January 2008 18,583 prisoners serving sentences of between four weeks and four years were released up to 18 days earlier than they otherwise would have been.

Andrew Rosindell: As the Minister says, since the Prime Minister came to office in June 2007 more than 18,000 prisoners have benefited from the early release system. They have also gone on to commit 300 crimes and at least one murder. Will the Minister undertake to end this crisis once and for all, and commit here today that in future she will keep these people behind bars where they belong and that the capacity in our prisons will be increased?

Maria Eagle: No, I will not commit to that. The hon. Gentleman is right that 1 per cent. of those released on end-of-custody licence have reoffended while on licence, and that is of course regrettable. However, it is not the case that saying today that end-of-custody licence will end would solve this problem. In order to end the licences, we would immediately have to find some 1,300 places at any one time. We have said that this is a temporary measure and that we will keep under constant review when it ought to come to an end, but today is not the time to end it.

Mr. Andrew Mackay (Bracknell) (Con): Should courts not be obliged to set minimum sentences in every single case, thus eradicating at a stroke the scandal of prisoners being released early just because of prison overcrowding, rather than because it is in the national interest?

Maria Eagle: A healthy debate on sentencing is taking place within parties and in this House, and that will no doubt continue. However, the right hon. Gentleman seems to be suggesting that the introduction of end-of-custody licences was the first time in the history of Parliament that convicted criminals had been released early—in this case 18 days early—but that is untrue. In 1984, the Government that he supported changed parole eligibility to let people out on parole earlier. In 1986, they extended remission for good behaviour to those serving under 12 months from a third to a half, thus allowing out early a whole load of convicted criminals. In 1992, they introduced automatic release at the halfway point of—

Mr. Speaker: Order. I think the point has been made.

Jenny Willott (Cardiff, Central) (LD): Given the evidence that a fundamental part of rehabilitation is the education and training opportunities that prisoners have in prison, and given that there are long waiting lists for those courses and that the increased use of early release makes it much harder for prisoners to complete the courses before they leave, what is the Department doing to ensure that prisoners who are released early are able to continue with the education and training they undertake in prison, to enable them to rehabilitate successfully afterwards?

Maria Eagle: The hon. Lady raises some interesting points. The entire concept of offender management means that we are in a much better position to ensure that the courses that prisoners start while in prison can either be completed or continued outside in the community. We have done that by making sure that the adult education and basic skills courses available in prison are the same as those available outside prison. Offender management means that when the probation service takes over the care of released offenders it can ensure that the correct opportunities are available to them, which will help both to reduce the chances of their reoffending and, it is to be hoped, to reintegrate them into society properly.

Mr. Henry Bellingham (North-West Norfolk) (Con): Is it not obvious from these exchanges that the public—our constituents—are being put at risk because of the Government's failing prisons policy? Is it true that since June 2007, 700 early release offenders have been recalled but, staggeringly, 124 are still at large? Why are they still at large, what is being done to apprehend them, and what offences did the 124 commit?

Maria Eagle: My understanding is that 4 per cent. of those released early on end-of-custody licence have been recalled, and that amounts to 673 people. They may have been recalled for a number of offences, but obviously they are in breach of their licence. Some 1 per cent., or 257 people, have reoffended in various ways. The Ministry of Justice regularly produces figures on these matters, so there is no attempt to hide that. Whenever anybody comes out it is possible that they will reoffend—some do and some do not—but these numbers are quite low compared with other types of release.

Court Cases (Local Media)

9. **Mr. Robert Goodwill** (Scarborough and Whitby) (Con): What representations he has received on the cost of providing details of forthcoming court cases to local media outlets. [192761]

The Parliamentary Under-Secretary of State for Justice (Bridget Prentice): Two representations have been made in relation to the cost of providing copies of court lists and magistrates courts registers to the press.

Mr. Goodwill: The cost of providing the lists to the *Scarborough Evening News* has risen from £800 to a prohibitive £15,000. Does the Minister agree with that newspaper's editor, Mr. Ed Asquith, who says that that will be welcomed by criminals, whose crimes and punishments will no longer be covered in the local newspaper, and that the court system will lose much of its deterrent power?

Bridget Prentice: I am delighted for the hon. Gentleman; he managed to get a good plug for his local newspaper into his question.

On the costs, there is a minimum fee of £5 for up to 10 sheets and 50p thereafter for a copy of any document provided by the court. I agree that local newspapers' reporting is an important part of the court system, and indeed of the democratic process, both as a deterrent, as he mentioned, and as a way of allowing victims and others to know exactly what has happened in court. I shall examine the costs carefully, but the hon. Gentleman will understand that we are talking about costs to the public purse and we must ensure that they are appropriate in the circumstances.

Prison Building Programme

10. **Mr. Greg Hands** (Hammersmith and Fulham) (Con): What his most recent assessment is of progress on the prison building programme. [1] [192762]

The Secretary of State for Justice and Lord Chancellor (Mr. Jack Straw): The Government have announced a programme to provide an additional 20,000 prison places and increase overall capacity to just over 96,000 by 2014. As I explained, the programme has already provided 1,746 places, and it will provide about another 2,500 places this year.

Mr. Hands: Why are the Government pressing ahead with titan prisons? All my experience as a former prison visitor at Her Majesty's Prison Wormwood Scrubs, which is an enormous establishment, suggests that local and smaller prisons are far more likely to reduce reoffending and increase rehabilitation.

Mr. Straw: What we also know, from the Carter report and much other experience both in the UK and in the United States, is that we must balance the issue of smaller prisons—I understand that they are desired, but they are not desired in the communities in which we may wish to put them—and the practicalities of being able to find fewer but larger sites for large prisons. What we are also determined to do, as we are doing with the cluster on the Isle of Sheppey and we will do with that in the Bromsgrove-Redditch area, is to ensure that, within the perimeters, we improve efficiency by merging back office functions and ensuring that there are different regimes for different categories of prisoner.

Chris Bryant (Rhondda) (Lab): One of the problems we face in south Wales is the lack of capacity in Welsh prisons, which means that many prisoners end up going to prisons further afield—in England—and it is very difficult for families and friends to visit. Can the Justice Secretary say what plans he has to increase the capacity of prisons in Wales? Does he find that many local authorities tend towards nimbyism and very much fight against having local prisons?

Mr. Straw: The Minister of State, Ministry of Justice, my right hon. Friend the Member for Delyn (Mr. Hanson), has both responsibility for prisons and the privilege of representing a Welsh constituency. He is on the case, consulting widely with a view to ensuring that additional prison capacity is available in Wales.

Tony Baldry (Banbury) (Con): A not insignificant number of prison places are taken up by foreign prisoners who have completed their sentences. When I tabled a number of questions to the Secretary of State on the number of such prisoners in, for example, Bullingdon prison, the questions were transferred to the Home Office. Surely the Secretary of State for Justice has a real interest in ensuring that foreign prisoners who have completed their sentences are removed from prison and deported. The fewer places they take up, the less pressure there will be to build new prisons.

Mr. Straw: The hon. Gentleman is right that I have a very real interest in that. There are many spirited conversations between my officials and those at the Home Office, and between the Home Secretary and me, about ensuring that time-sentenced foreign national prisoners are removed from the country as quickly as possible by deportation or administrative means. That said, it happens that since they then become the responsibility of the Border and Immigration Agency, it falls to the Home Office to answer detailed statistical questions.

Rehabilitation

11. **Nia Griffith** (Llanelli) (Lab): What measures he has put in place to increase co-operation with other Government Departments to improve the rehabilitation of offenders. [192763]

The Minister of State, Ministry of Justice (Mr. David Hanson): The new public service agreements, in particular those on making communities safer and on socially excluded adults, provide important levers to support a cross-Government focus on offender rehabilitation and reducing reoffending. To provide strategic direction for that work, and to promote an effective cross-Government partnership response, the Under-Secretary of State for Innovation, Universities and Skills, my hon. Friend the Member for Tottenham (Mr. Lammy), and I chair a reducing reoffending interministerial group, which includes Ministers from 15 Departments.

1. *[Official Report, 18 March 2008, Vol. 473, c. 6MC.]*

Nia Griffith: Will the Minister talk to colleagues in the Department of Health about making treatment and support available at all GPs' surgeries to ex-offenders who have drug-related problems, instead of forcing vulnerable people to travel a long way to centres, en route to which they can be ambushed by drug pushers who are lying in wait for them?

Mr. Hanson: I am grateful to my hon. Friend. We will certainly ensure that we try to support people leaving prison who have a history of using drugs while in prison and before. That is important to the reducing reoffending agenda. Ministers in both the Department of Health and the National Assembly for Wales sit on the interministerial group that I chair. We are considering positive solutions to ensure that we integrate care, so that offenders who leave prison have the support that they need to help them to reduce their reoffending behaviour.

Topical Questions

T1. [192743] **Mr. David Chaytor** (Bury, North) (Lab): If he will make a statement on his departmental responsibilities.

The Secretary of State for Justice and Lord Chancellor (Mr. Jack Straw): This morning I published the report of Her Majesty's chief inspectors of court administration, of the police and of the Crown Prosecution Service on the historical problems at Leeds magistrates court. I said in an accompanying written ministerial statement that the inspectorate's report painted a lamentable picture of the historical failure there with regard to court adjudications, most of which occurred between 2001 and 2004. I drew the House's attention to the fact that, since April 2005, the control and management of the magistrates court service has no longer been a matter for autonomous local magistrates courts committees but one for Her Majesty's Courts Service, which was established under the Courts Act 2003.

Mr. Chaytor: My right hon. Friend will recall the substantial vote last March in favour of a wholly elected upper House. What progress is he making towards implementing proposals for the reform of the upper House? Does he agree that the question of the voting system in that House cannot be entirely dissociated from the debate about the future voting system for this House?

Mr. Straw: On the progress of the reform of the other place, I am pleased to tell my hon. Friend that we have a cross-party group, including representatives of the Opposition Front Bench, the Liberal Democrats, the Cross Benchers and the Lords Spiritual. It is making good progress within the clear mandate set by this House for a second Chamber that is either 100 per cent. or 80 per cent. elected.

The voting system is a matter of great debate among parties, and my hon. Friend and I might have slightly different views on the matter.

T2. [192744] **Mrs. Madeleine Moon** (Bridgend) (Lab): There is growing concern about the explicit details on so-called suicide websites about methods that can be used. What steps can the Government take to control the content of such sites and restrict access to them?

Mr. Straw: We are as concerned as my hon. Friend, her constituents and people across the country about these appalling websites. The Under-Secretary of State for Justice, my hon. Friend the Member for Liverpool, Garston (Maria Eagle), is looking into the matter urgently. As my hon. Friend the Member for Bridgend (Mrs. Moon) will know, dealing with websites—particularly if the servers are abroad—is technically difficult, but we aim to do our best in those circumstances and to make an announcement as quickly as possible.

David Howarth (Cambridge) (LD): May I bring the Secretary of State back to a previous answer that he gave to the hon. Member for Bridgend (Mrs. Moon)? There seems to be an inherent contradiction between on the one hand praising the effectiveness of community sentences, as well as the perfectly sensible remarks made by the Secretary of State at the *Guardian* criminal justice summit, which have been rather unfairly criticised, and on the other hand announcing that more and bigger prisons will be built. Does the Secretary of State not accept that important lessons can be learned from countries such as Denmark, where the crime rate is equivalent to that in this country but the incarceration rate is much lower and the success rate for prisoner rehabilitation is much higher?

Mr. Straw: We want to learn from the experiences of countries across the world. It just happens, for all sorts of reasons, that Denmark has a lower prison population per head than we do. The crucial test of a penal policy should not be the arbitrary figure of the number of prisoners per head of population, but whether the overall policies are working to make our communities safer and to reduce levels of victimisation. I have put the Government's record in perspective. There is the lowest level of victimisation since the British crime survey was established by the Conservatives in 1981. Crime has come down, but there are still many serious violent and persistent offenders at large. Telling our constituents whether the overall aggregate record is down or up serves no purpose if they have been the victim of a crime.

Mr. Henry Bellingham (North-West Norfolk) (Con): Reoffending?

Mr. Straw: Reoffending is also greatly improving, and I note that the Conservative party promises to cut 12,000 prison places through its so-called rehabilitation revolution. However, we will learn from anybody.

T4. [192746] **John Mann** (Bassetlaw) (Lab): The unnecessary staking of headstones in graveyards across the country by zealous burial authorities continues apace. Is there any good news on progress towards issuing some appropriate health and safety guidance so that we can get rid of that monstrosity?

The Parliamentary Under-Secretary of State for Justice (Bridget Prentice): My hon. Friend makes an important point. I know that he is already qualified as a topple tester. He is right that we must deal with the issue with proportion and so on. We are keen to see that local authorities respond in a proportionate fashion and that they realise the sensitivity of the work

that has to be done as well as making sure that it is done with health and safety in mind in a way that deals with the matter when the situation is dangerous rather than in an unnecessarily over-bureaucratic fashion.

Nick Herbert (Arundel and South Downs) (Con): Does the Lord Chancellor not understand that it is profoundly un-British to demand that the public swear oaths of allegiance, subscribe to statements of values or fly flags in their lawns? The public will surely see straight through synthetic patriotism. Last week, the Culture Minister attacked the BBC Proms. Why should the public have anything to learn from this Government about Britishness?

Mr. Straw: I am a long-time Prom-goer; I love the Proms. I am entitled to say that I did not agree with what my right hon. Friend the Member for Barking (Margaret Hodge) said about the Proms. My judgment is not hers. As for flying flags, I am proud to be British. We have done a great deal. No party has the monopoly on being British and being proud of it. I remind the hon. Gentleman that some of his colleagues proposed that we did more to ensure that the Union flag was flown from Government buildings and Portcullis House. We have ensured that that is done.

Nick Herbert: But surely 10 years of learning about British history would be more valuable to instil an understanding of British values than a 10-minute ceremony for 16-year-olds? Does the Justice Secretary really think that British values can be reduced to a slogan or a statement of values drawn up by focus groups at the taxpayer's expense?

Mr. Straw: The hon. Gentleman ought to read the report and proposals of my noble and learned Friend Lord Goldsmith—he may have done so but not digested them—and there ought to be proper debate about them. I doubt that the hon. Gentleman's views are shared by many other people on the Conservative Benches.

Secondly, we now have citizenship ceremonies for new citizens. When they were introduced there was some scepticism about them on both sides of the House, but they have turned out to be valued rites of passage for new British people who are becoming British citizens. There is a lot to be said for our getting across to existing British citizens—born British, not adopted British—what it means to be British. It should not be a party issue.

Mr. Alan Beith (Berwick-upon-Tweed) (LD): Has the Lord Chancellor recently requested a factual paper from the Treasury on the Barnett formula? Even though the formula is much, much older than devolution, the perception of devolution in England is undoubtedly affected by its existence and the fact that it is overdue for reform.

Mr. Straw: I have not needed to request papers on the Barnett formula, because the way it operates is perfectly public. Briefing is available from the Library and the formula has been used by successive Governments, including—in unamended form—the Administration between 1979 and 1997.

T5. [192747] **Mr. John Baron** (Billericay) (Con): The Secretary of State will be aware that an organisation called ClearSprings is, on behalf of the Government, buying residential properties in Basildon district to house offenders released early from prison. Given the complete lack of consultation with local residents on the issue, which means that they could wake up one day to find that they were living next door to an open prison, will the Secretary of State cancel those plans for Basildon district, which are being seen only as a way of reducing prison overcrowding by stealth?

The Minister of State, Ministry of Justice (Mr. David Hanson): I am grateful to the hon. Gentleman for raising that issue. I looked into a number of the concerns that had been raised recently about ClearSprings properties. There was concern in Basildon and I looked into whether the Conservative-controlled district council, had exercised its veto. I have to report to the hon. Gentleman that had the council done so, we would not be proceeding with the properties in Basildon. The Conservative-controlled district council in Basildon did not veto the proposals—

Mr. Baron: Was it consulted?

Mr. Hanson: It was consulted, as were the police and I am aware of that because my hon. Friend the Member for Basildon (Angela E. Smith) also has such properties and has referred to me recent press coverage in Basildon on the matter. The Conservative-controlled district council did not veto the properties.

T6. [192748] **Ben Chapman** (Wirral, South) (Lab): Is not the absence of a financial limit on election expenditure on campaigning outside an election period, in effect, the buying of votes? It is an anomaly that ought to be corrected urgently. For that reason, is it not time that we stopped talking about it and actually did something?

Mr. Straw: As my hon. Friend will be aware, the report of the inquiry and review by Sir Hayden Phillips recommended that there was a strong case for limits on spending to apply both locally and nationally for a whole Parliament and not just for a period beforehand. In addition, one of the wholly unintended consequences of the Political Parties, Elections and Referendums Act 2000 was that far from local controls being made stronger—as was believed by both main parties—they have actually been made shorter and weaker. We were aware of that, but it is also important, which is why we are giving the matter consideration, that there should be a broad consensus for changes in party funding, because it cannot and should not be used as a partisan tool in the hands of one party or another.

T7. [192749] **Greg Mulholland** (Leeds, North-West) (LD): Today's extraordinary reports into the events at Leeds magistrates court have uncovered an astonishing example of systematic and deliberate abuse. With regard to the collusion that appears to have happened between Leeds magistrates court, West Yorkshire police and West Yorkshire Crown Prosecution Service, does the Secretary of State agree that it was a deliberate attempt to withdraw warrants when they

should not have been withdrawn? With regard to the whole episode, does he agree that it may be appropriate to pursue criminal charges, because it was clearly a deliberate attempt to undermine justice?

Mr. Straw: The matter is very serious indeed; I have made that clear. In my judgment, the issue arose partly because of the shambolic way in which the local magistrates ran the magistrates courts committee, and the lack of effective administration. As the hon. Gentleman will recognise, the inspectorate praised the work of Her Majesty's Courts Service, which took control of Leeds magistrates court, and other magistrates courts, in 2005. The protocol came as an astonishing surprise to me. It is in appendix 12 of the report, which contains the extraordinary phrase about the need to "get rid" of outstanding warrants. He will forgive me, but I cannot comment on disciplinary processes that are taking place, except to say that they are being pursued, as I do not wish to prejudice their outcome.

T8. [192750] **Mark Pritchard** (The Wrekin) (Con): Following on from the question asked by my hon. Friend the Member for Arundel and South Downs (Nick Herbert), does the Secretary of State believe that allegiance should be sworn to the United Kingdom, to Her Majesty the Queen, or to an emerging federal president of Europe?

Mr. Straw: Not the latter, in any circumstances, whether the president is federal or otherwise; I say that to reassure the hon. Gentleman I should say to him, before he gets too excited about the issue, that if he looks at the pledges that new citizens are required to make, he will see that there is an oath of allegiance to Her Majesty the Queen—we are a constitutional monarchy and, so far as my party and I am concerned, long may that continue—and a pledge of loyalty to other citizens in the United Kingdom.

Clive Efford (Eltham) (Lab): May I draw my right hon. Friend's attention to a situation that my constituent found himself in? He was returned to prison while on a home curfew tag. He found a job that required him to leave home 15 minutes before his curfew ended in the morning, and as a result he was returned to prison. Surely the administration of the system should be able to cope with a request for an alteration to curfew hours in cases where somebody is actually trying to rehabilitate themselves. Will my right hon. Friend look into the matter, and perhaps make the system more flexible to meet people's needs?

Mr. Hanson: My hon. Friend raises an important point. I will certainly look into whether we can ensure flexibility in genuine cases where there are issues to do with employment or other matters. I will certainly reflect on the matter, and I will write to my hon. Friend in due course.

T10. [192752] **Mr. Greg Hands** (Hammersmith and Fulham) (Con): My constituency's population is growing rapidly; in fact, in the 2001 election, it was the constituency with the second largest population in Britain after the Isle of Wight. The next parliamentary boundary review will not take effect until after the next election, and will be based on data from 2000 that precede the 2001 census. Will the Secretary of State commit himself to having more frequent parliamentary boundary reviews, using data that are forward-looking, rather than backward-looking?

Mr. Straw: The hon. Gentleman raises an important point, and I broadly agree with him. What we need is more frequent reviews, and reviews that take account of population, rather than being based simply on electoral rolls, because electoral rolls are not necessarily a clear surrogate for population. As he says, the reviews should be forward-looking, rather than very outdated, as they sometimes are. I am happy to meet him to discuss the matter.

Sir Nicholas Winterton (Macclesfield) (Con): I thank the Under-Secretary of State for Justice, the hon. Member for Lewisham, East (Bridget Prentice), for the courtesy and time that she gave me last week when I met her to discuss my concern about the secrecy surrounding family courts. Would she not agree that natural parents should get more justice, and more rights, in the family courts system?

Bridget Prentice: I was very happy to meet the hon. Gentleman to discuss a particular case in his constituency. I would say to him that, first and foremost, the family courts must look after the interests of the child. It is on that basis that they must move forward. Of course, they must also take into account the evidence that is put in front of them, but the most important thing is to ensure the child's safety and protection.

Environmental Protection Act 1990 (Amendment)

3.34 pm

Mr. Bernard Jenkin (North Essex) (Con): I beg to move,

That leave be given to bring in a Bill to amend Part II of the Environmental Protection Act 1990 in relation to the duties, powers and functions of waste regulation authorities concerning the unauthorised deposit of controlled waste on land; and for connected purposes.

The purpose of the Bill is to promote serious discussion about a shortcoming in the 1990 Act on fly-tipping. For that purpose, the sponsors of the Bill include a distinguished array of former Ministers from both sides of the House, including a former Secretary of State for the Environment and three former Environment Ministers, one of whom, my right hon. Friend the Member for Wells (Mr. Heathcoat-Amory), has joined me today. The Bill also has the support of the Country Landowners Association and the National Farmers Union.

The 1990 Act was a legislative landmark passed under the previous Conservative Government that established the Environment Agency. Among other matters, it sets out the law on the treatment of fly-tipping. The House has long been aware of the problems caused by fly-tipping for both private and public landowners.

The journey of the Bill to the Floor of the House began on a farm belonging to my constituent, Mr. David Gibbon, from whom I declare I have accepted hospitality, though below the threshold for declaration in the register. In August last year, a lorry was caught red-handed dumping bags of asbestos on Mr. Gibbon's farm at South Fambridge in the constituency of my hon. Friend the Member for Rayleigh (Mr. Francois), who I am pleased to see in his place and who, I am sure, would have sponsored the Bill had he not been on the Opposition Front Bench. The manager at the farm in question, who had been wisely advised not to approach such criminals on his own, took the vehicle registration details and immediately called the police. The Environment Agency was also subsequently informed.

I regret to inform the House that neither Essex police nor the Environment Agency took any substantial interest in the crime. Despite the fact that asbestos was bagged, correctly tagged and therefore lawfully removed from wherever it came from, and an address was found among the rubbish, little investigation was carried out. The vehicle registration, of course, proved to be false, and the only conclusion to be drawn was that it was the act of a rogue trader. At this point, the story ends, and no public authority took any further interest in the matter.

My constituent initially refused to remove the dumped asbestos, on the very reasonable basis that it was not his responsibility. Ironically, if it had been dumped a mere 6 ft in a different direction, it would have been the responsibility of the highways authority and would automatically have been removed by the Environment Agency. As the Minister stated in a letter to me dated 1 November last year:

"Where there is fly-tipping on public land, the local authority or the Environment Agency will bear the cost of removal and any subsequent investigation. However, clearing illegally dumped waste from privately owned land is more difficult".

I see the Under-Secretary of State for Environment, Food and Rural Affairs, the hon. Member for Lewisham, Deptford (Joan Ruddock) is in her place and kindly listening to the debate.

Eventually Mr. Gibbon had to pay almost £3,000 for the waste to be removed by a private contractor. Under the law as it stands, responsible victims of such a crime are forced to pay up, while the perpetrators get off scot-free. Mr. Gibbon did not, under section 33 of the 1990 Act

"deposit controlled waste, or knowingly cause or knowingly permit controlled waste to be deposited",

but according to the Environment Agency, the fact that he had been fly-tipped meant that he was in violation of section 33(1)(b) because he was, as the 1990 Act describes it, keeping controlled waste on his land. He was therefore committing a criminal offence for no other reason than that he himself was a victim of a crime.

The problem that my Bill seeks to address is simple. Rubbish dumped on public land automatically becomes the responsibility of the local authority or the Environment Agency to clear up, but those authorities are not responsible for clearing up rubbish dumped on private land. On the contrary, if a private landowner does not clear it up, the Environment Agency will prosecute them for not doing so. That is grossly unfair on private landowners, who, by being the victims of crime, become criminals in the eyes of the law.

The problem is not uncommon. An Environment Agency survey published in January 2007 shows that 16 per cent. of farms in England and Wales suffered fly-tipping over a 12-month period. As Mr. Gibbon's case makes clear, the cost of clean-up can be very expensive. Indeed, the Waste Management (England and Wales) Regulations 2006 have only increased the costs for private landowners. Since I began work on the Bill, a number of similar cases have been brought to my attention. For example, Freddie de Lisle in Hungarton in Leicestershire had to pay £435 to have suspected asbestos removed from his land after it was illegally dumped. In Wales, the Powys castle estate had to pay out more than £1,000 over the course of three incidents involving clothing, a burnt-out car and two unmarked 45-gallon oil drums.

The issue does not only affect farmers. Nottinghamshire Wildlife Trust recently announced that it is considering closing its woodlands because of fly-tipping. The costs of the continual clear-ups are eating into its limited resources, which are, of course, charitable. Removing the waste is not only expensive but time-consuming and potentially dangerous. A farm worker in Nottingham was injured when an aerosol can exploded as he tried to burn the timber element of some waste, and he was off work for three months as a result of his injuries.

At present, landowners feel helpless, so it is not surprising that 50 per cent. of those who are suffering from fly-tipping do not bother to report it. Why should they, if it does not lead to a proper investigation of the incident or any prospect of a prosecution? In a 2006 survey, farmers said that in only 22 per cent. of cases had the police investigated their complaints, even though fly-tipping is a criminal offence.

I am grateful to the Country Land and Business Association for its assistance in drafting the Bill, which aims to protect landowners from an over-zealous interpretation of the present law. I propose two

[Mr. Bernard Jenkin]

changes. The first would place an obligation on the Environment Agency or the relevant local authority to remove waste if the landowner

"did not knowingly cause or knowingly permit"

the waste to be deposited.

In her letter, the Under-Secretary claimed that that would create "a fly-tippers' charter", but that is nonsense, because the law as it stands is a fly-tippers' charter. The Environment Agency already automatically picks up all the rubbish on public land. The Government may fear rogue landowners who would encourage illegal fly-tipping on their land for backhanders, but the Environment Agency would still have the power to serve a clear-up notice on such a landowner, if it suspected their involvement, which might include failure to take reasonable steps to prevent such illegal dumping.

My second proposed change would place a duty on the relevant authority to investigate incidents of fly-tipping. As the Minister said in her correspondence, that would place additional burdens on authorities, which already have to remove waste dumped on public land. However, the present law is clearly absurd. What is the point of having a criminal offence of fly-tipping on the statute book, if nobody is even going to investigate those crimes?

The case for the changes is clear. Far from creating a fly-tippers' charter, the obligation to investigate and prosecute would help to deter fly-tipping. It is ludicrously unfair that public and private landowners are treated in such grossly different ways. I repeat that had the asbestos in Mr. Gibbon's case been 6 ft away from where it was, he would not have been responsible for its disposal and that duty would have fallen on a public authority.

I should inform the House that I am disappointed that the Government have indicated that they are not going to support the Bill, because of the additional duties that it would place on local authorities and the Environment Agency. Furthermore, the Secretary of State for Environment, Food and Rural Affairs has expressed his concern that it might encourage illegal dumping. I hope that the House will agree, however, that I have addressed both those concerns. In any case, the Government are welcome to amend my Bill as it makes progress through the House.

What is the point of the Environment Agency, if it will not actively investigate and deter illegal dumping? Moreover, active investigation and prosecution of fly-tippers should lead to reduced burdens on the public sector, as well as to a cleaner environment. The agency itself recognises its ineffectiveness, saying that

"fly-tipping on agricultural land is a significant problem in England and Wales".

The Bill offers concrete measures to protect landowners against fly-tipping and to increase investigations by the authorities to deal with that growing problem. I therefore commend it to the House before we find more and more copies of the Lisbon treaty dumped on public and private land throughout this country.

Question put and agreed to.

Bill ordered to be brought in by Mr. Bernard Jenkin, Mr. John Gummer, Mr. Tim Yeo, Mr. Michael Meacher, Mr. Malcolm Moss, Kate Hoey, Mr. Elfyn Llwyd, Mr. David Crausby, Tony Baldry, Mr. Alan Meale, Lembit Öpik and Mr. David Heathcoat-Amory.

Environmental Protection Act 1990 (Amendment)

Mr. Bernard Jenkin accordingly presented a Bill to amend Part II of the Environmental Protection Act 1990 in relation to the duties, powers and functions of waste regulation authorities concerning the unauthorised deposit of controlled waste on land; and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 25 April, and to be printed [Bill 86].

Orders of the Day

CONSOLIDATED FUND (APPROPRIATION) BILL

Order for Second Reading read.

Question, That the Bill be now read a Second time, *put forthwith, pursuant to Standing Order No. 56 (Consolidated Fund Bills), and agreed to.*

Bill accordingly read a Second time.

Question, That the Bill be now read the Third time, *put forthwith, and agreed to.*

Bill accordingly read the Third time, and passed.

European Union (Amendment) Bill

[12TH ALLOTTED DAY]

Order for Third Reading read.—[Queen's Consent, on behalf of the Crown, signified.]

3.45 pm

The Secretary of State for Foreign and Commonwealth Affairs (David Miliband): I beg to move, That the Bill be now read the Third time.

On Third Reading, it is traditional to recognise the contribution of all sides to the debate on the Bill, and happily, in this case, I have a lot of material to draw on. Since I introduced the Bill on Second Reading nine weeks ago, six Secretaries of State and shadow Secretaries of State have spoken to the House. The scrutiny process in Committee has totalled some 560,000 words—five and a half times the length of the consolidated treaty itself. I hope that the House will allow me to highlight a small number of outstanding contributors to our—

Mr. Ian Davidson (Glasgow, South-West) (Lab/Co-op): Will the Foreign Secretary give way? *[Laughter.]*

David Miliband *indicated assent.*

Mr. Davidson: Will the Foreign Secretary tell me the difference between the Liberals' full participation in debate and their policy of constructive abstention, as they seem to amount to pretty much the same thing?

Hon. Members: There's only one of them!

David Miliband: Talking of outstanding contributors, I see that my hon. Friend could not resist the temptation to intervene, but I am sure that the quality of the remarks of the hon. Member for Kingston and Surbiton (Mr. Davey) will make up for the lack of quantity—

Mr. Davidson: No.

David Miliband: Maybe my hon. Friend is not convinced.

I want to pay tribute to some of the hon. Members who have genuinely contributed outstandingly to our proceedings. I start by paying tribute to the right hon. Member for Richmond, Yorks (Mr. Hague). I believe his approach to Europe to be utterly antediluvian, but he has prosecuted his case in an absolutely brilliant fashion and re-established his reputation as one of the outstanding debaters of our times.

The hon. Member for Stone (Mr. Cash) has demonstrated again his long-standing commitment to these issues, tabling 154 amendments and making 209 interventions in our proceedings—*[Interruption.]*—so far. That is not an invitation for him to intervene now. He has been indefatigable in asserting, first, that he has been consistent every year since 1992, which is correct, and, secondly, that he has always been right in warning that the European superstate is about to gobble us up, about which I believe he is profoundly wrong. He and I rarely see eye to eye on these matters, but he has been active on every day of our scrutiny of the treaty and the Bill, and I pay tribute to his persistence.

Ian Lucas (Wrexham) (Lab): Will the Foreign Secretary give way?

David Miliband: I was about to come to my hon. Friend, but I am happy to give way.

Ian Lucas: I was simply going to ask the Foreign Secretary whether he agrees that one of the most enlightening parts of the debate is that the hon. Member for Stone (Mr. Cash) clearly leads for the Conservative party on these matters?

David Miliband: In the spirit of good cheer, I do not want to insult the shadow Foreign Secretary, but I assure my hon. Friend that I will deal with the striking similarities between the hon. Member for Stone and Conservative Front Benchers in due course.

My right hon. Friend the Member for Leicester, West (Ms Hewitt) and my hon. Friend the Member for Wolverhampton, South-West (Rob Marris) have shown the value of reading the treaty, and they made a series of telling speeches and interventions. My hon. Friend the Member for Ilford, South (Mike Gapes), who chairs the Foreign Affairs Committee, and my hon. Friend the Member for Linlithgow and East Falkirk (Michael Connarty), who chairs the European Scrutiny Committee—they are both in their places, as they have been throughout our proceedings—have informed our debates with their genuine expertise.

I hope that the House will allow me to mention my hon. Friend the Minister for Europe, who has shown a wider audience what many of us always knew—namely, that he has patience and humour as well as keen intelligence and deep political skills. My only fear is that he may have talked himself out of the Foreign Office before he gets to go abroad and meet some foreigners. I hope that I am wrong.

Last week, we debated how to pass the treaty into law. Today, we are debating whether to do so. The central question is whether it is a good treaty for the UK and for Europe. The Government and every mainstream political party in Europe believe that the answer is yes, because the reforms make sense. The treaty reforms the foundations of the EU, which have developed since 1958, and the reforms will allow us to move on to the agenda of prosperity, development and climate change, which we all agree is the essence of the EU's role.

Mr. Michael Ancram (Devizes) (Con): One question has not been answered in our lengthy debate. Where is the mandate for the Government to take the Bill through without seeking the consent of the British people in any form whatsoever?

David Miliband: We debated that at length last week. The House gave its answer by a majority of 63 on that question.

Chris Bryant (Rhondda) (Lab): Part of the mandate derives from the fact that there have been 44 Divisions so far on the Bill and the average majority has been 170, which is rather different from what happened when the Maastricht treaty was considered. We have had a two thirds majority on nearly every Division.

David Miliband: My hon. Friend has regularly contributed to the debate, and he makes a good point.

We set out our arguments in favour of the treaty in Committee, but let me summarise them in three main points. First, the treaty creates clear, coherent objectives for EU activity in Europe and globally. We share those objectives and have played a leading role in shaping them.

Secondly, the Lisbon treaty streamlines the institutions and decision-making processes of the EU, so that it can better deliver on the matters that we all agree should be handled at European level.

Thirdly, it makes the EU more accountable to member states and national Parliaments.

I have set out many times the treaty's contents, from bigger voting weight for the UK to opt-ins on justice and home affairs. Today, I want to make another attempt to convince the Conservative party that it cannot say that it wants a Europe that delivers on open markets, climate change, development, counter-terrorism and post-conflict reconstruction, and at the same time not only oppose the Bill but say that it is the end of Britain as we know it.

Geraldine Smith (Morecambe and Lunesdale) (Lab): Will my right hon. Friend confirm again that, if the treaty is carried and ratified by Europe, we will not have a European constitution? Some people still do not get that.

David Miliband: My hon. Friend makes an important point, as she did in her speech last week. We are considering an amending treaty, which amends, for the fifth time, the institutions of the EU to make the EU work better.

Mr. Bernard Jenkin (North Essex) (Con): The Foreign Secretary repeats that the treaty will streamline, improve and achieve wonderful things. However, the EU has failed to deliver the Lisbon agenda on competitiveness; its accounts have not been signed off for the past 13 years; and we cannot automatically deport foreign criminals, because of the free movement of people. There are legion problems that the treaty does not tackle; on the contrary, it will make them worse.

David Miliband: The hon. Gentleman makes a good case for getting on with reforming the EU's institutions. He also makes the case for tackling the genuine problems of delivery in the EU.

Michael Connarty (Linlithgow and East Falkirk) (Lab): The Foreign Secretary has mentioned opt-ins on justice and home affairs. The three major issues are the opt-ins on justice and home affairs, the yellow and orange cards and the operation of the passerelle clauses, if the Government should ever move from veto to qualified majority voting. Will my right hon. Friend indicate the framework in which those arrangements will be discussed and determined by the Government in this House before he finishes his speech?

David Miliband: I will certainly address those three issues. The Government face a challenge, because in the end it is for Parliament to decide its own procedures.

There is a balance to be struck between how much the Government want to dictate and how much Parliament should decide.

Mr. William Cash (Stone) (Con): Will the Foreign Secretary give way?

David Miliband: Let me make some progress. I shall be happy to return to the hon. Gentleman later.

Let me start with the single market. Hon. Members on both sides of the House want to see an effective and open market. The right hon. Member for Richmond, Yorks has made much of the alleged deletion of the reference to undistorted competition from the list of EU activities. In doing so, he has ignored the new, binding protocol on competition, which confirms that the

"internal market...includes a system ensuring that competition is not distorted".

He has ignored, too, all the other continuing treaty references to competition, including articles 4, 27, 34, 87 to 89, 96, 98, 105 and 137 in the EC treaty, and the fact that the treaty's powers on competition remain as strong as ever. He has also ignored the views of the Law Society, the head of the Commission legal service and other distinguished experts that the legal position remains unchanged. In the words of the Law Society:

"A Protocol records that the EU's internal market includes a system which ensures that competition is undistorted. This does not change the current legal position".

The Opposition say that they want the single market to work better, and the Lisbon treaty will further that agenda. It will provide a new legal base for the creation of a single EU patent, so that UK companies can have one patent, rather than 27 separate ones, to protect their ideas and inventions across Europe. The treaty will enable the creation of a European research area—a single market in knowledge to make it easier for researchers to take their talents to other countries. The treaty will also allow easier recognition across Europe of professional qualifications, so that professionals can work more freely across borders.

Mr. Cash: The Foreign Secretary just said that we need the treaty because it will enable us to make further reforms. At the same time, however, I am sure that he will acknowledge that we cannot achieve those reforms if, as my reasoned amendment, which has not been selected, points out, the Bill does not protect our Parliament's enactments from being struck down by the European Court of Justice and the UK courts. That is what inhibits reform.

David Miliband: I will come to that point directly, because it is important. A similar amendment tabled by the hon. Gentleman was selected last week. It challenged the basis of UK participation in the European Union since 1973, which is that on matters of European competence, European law should have primacy. To argue otherwise is to argue that we should be able to join a club, but not abide by the rules. I will show him in this debate that, contrary to the allegation that we have been led into a European project that no one ever warned about, there was absolute clarity all the way through the debates in the 1970s, from Geoffrey Rippon to Geoffrey Howe, whom I shall quote later, and other former hon. Members—

Mr. Cash: It is not surprising!

David Miliband: The hon. Gentleman may say that, but they were members of a Conservative Government articulating Conservative Government policy at the time, so the point does not redound to his benefit.

Mr. David Drew (Stroud) (Lab/Co-op): Does the Foreign Secretary understand the unease felt by some Labour Members about the further threat of health services being liberalised? What additional protections are there to ensure that the very basis of the national health service will not be undermined by matters being referred to the ECJ?

David Miliband: I will address the division of competences across the EU, but I assure my hon. Friend not only that nothing in the treaty would allow interference in our national health service, but that it strengthens the UK's position in deciding on our health provision.

Mr. David Heathcoat-Amory (Wells) (Con): If the Foreign Secretary is so proud of the text, why did the Government table 295 amendments to an almost identical earlier text, of which only 33 were successful, most of which dealt with comparatively trivial matters? The answer to the question that the hon. Member for Stroud (Mr. Drew) raised is that the Government opposed interference in health matters at the time, albeit without success. Can the Foreign Secretary explain why he is now defending a text that he previously rejected?

David Miliband: We tabled amendments on justice and home affairs, for example, precisely to ensure that our rights to choose on justice and home affairs—*[Interruption.]* There were not 295 amendments in respect of the health service. A lot of amendments were, rightly, tabled because it was important to secure our position. Let me take the justice and home affairs issue; in a way, it brings out better than any—

Mr. Drew: What about health?

David Miliband: I have answered the question on health. I assure my hon. Friend that this treaty text confirms a stronger UK position for deciding on our own health services than existed previously.

The Opposition say that they want sensible co-operation on justice and home affairs issues and who could deny our need for that, given that the European arrest warrant brought the 21/7 bomber to justice? There is no doubt that when it comes to tackling terrorism and organised crime, EU action to improve the exchange of information can play an important role.

Let us be clear about what the treaty chapter on justice and home affairs does. It will improve decision making because there is a move to qualified majority voting, and that will prevent one country from blocking an agreement—as happened recently, for example, in respect of allowing member states to transfer foreign national prisoners back to their home member state. The treaty will help make progress in areas of benefit to the UK—not just by combating

[David Miliband]

international crime and terrorism, nor just by ensuring greater legal certainty, but by ensuring that at every stage the United Kingdom is not forced to participate in anything that we do not want to participate in.

Since 1999, we have opted into 42 immigration or asylum measures and 15 civil law measures—the so-called pillar 1—when that has been in our national interests. But we have not opted into 75 immigration or asylum measures and three civil law measures, because we decided that they were not in our interests. The treaty provides the flexibility to ensure that when something is not in our interests, we will be able to stand back. Measure by measure, we retain the right to choose. As the European Scrutiny Committee concluded, it was

"clear from the 'opt-in' arrangements that the United Kingdom is free to decide whether or not to take part...and to that extent is able to protect the distinctive features of the legal systems of the UK".

Sir Malcolm Rifkind (Kensington and Chelsea) (Con) *rose—*

David Miliband: I am happy to give way on that point.

Sir Malcolm Rifkind: The Foreign Secretary is entitled to say that in justice and home affairs, the Government can demonstrate flexibility—essentially, by working à la carte with Europe on that matter. Does he not draw the conclusion that that might be the basis on which, across a whole spectrum of EU policy, the United Kingdom could be comfortable in its EU membership in years to come, even if some member states wished to go much further towards integration?

David Miliband: I do not think that à la carte is the right approach when it comes to the single market, for example; I do not think that we can opt into some sectors and not others. However, if the right hon. and learned Gentleman is saying that there should be provision for enhanced co-operation in certain areas rather than others, as is being proposed in the treaty in respect of defence, that is sensible.

Rob Marris (Wolverhampton, South-West) (Lab): Before my right hon. Friend moves off criminal matters, may I remind him of article 82, paragraph 2 of the consolidated texts? It refers to minimum rules on co-operation in the criminal justice system and goes on to say:

"Adoption of the minimum rules referred to in this paragraph shall not prevent Member States from maintaining or introducing a higher level of protection for individuals."

Is that not precisely what we want—so that our citizens, who may encounter criminal justice systems in any of the other 26 member states, have some minimum protection?

David Miliband: I do not know how that article slipped my mind; my hon. Friend has made an important point.

Mr. Peter Lilley (Hitchin and Harpenden) (Con): Just now, the Foreign Secretary said that we had opted into 42 immigration and asylum measures, but had retained a choice. Will he confirm that when we have opted in, we do not retain a choice? We can never opt out; it is a one-way option with no chance of opting out in the light of experience.

David Miliband: Mr. Speaker, unless—

Mr. Lilley: Yes or no?

David Miliband: It is not as simple as that. The right hon. Gentleman is right in that if the measure was not changed we could not opt out. However, as soon as the measure was amended, we would have the right to look at whether we wanted to opt into it.

On foreign policy, the Opposition have supported the Government's actions in the western Balkans. As we have seen in the Balkans, Lebanon and Chad, the EU can play a role in promoting security and stability in neighbouring countries. It is not an alternative to UK foreign policy, but a means—and an important one—for its implementation.

As I said on 19 February, although the treaty will not change the fundamental nature of common foreign and security policy co-operation, it will enhance the efficiency, effectiveness and coherence of current arrangements. It will do so first by making the European Council—made up of the member states of the EU—responsible for setting the EU's strategic priorities for all external action; secondly, by strengthening the coherence of the EU's external action through a high representative, appointed by and accountable to member states, who replaces the current high representative and the Commissioner for External Affairs; and, thirdly, by bringing together existing Commission and Council officials, together with member state secondees, into a single External Action Service. All of that will bring real benefits.

On development, Europe is the world's biggest aid donor, providing more than 55 per cent. of total aid to more than 160 countries, and the Lisbon treaty will help ensure that, for the first time, that money is allocated in line with UK development policy. It makes it clear that EU development aid must have

"as its primary objective the reduction, and in the long term, the eradication of poverty".

It will legally enshrine the principles of "impartiality", "non-discrimination" and "neutrality" for the deployment of humanitarian aid. That will help ensure that humanitarian aid is delivered on the basis of need, not on the basis of politics or of geography.

Mike Gapes (Ilford, South) (Lab/Co-op): Does my right hon. Friend believe that it would be particularly apposite if the House were to pass this Bill today, which is the 60th anniversary of the murder by defenestration of the democratic Czechoslovakian Prime Minister, Jan Masaryk, by the communist regime? Supporting the Bill today would be a symbol of the new Europe and the new European Union in which we are all united.

David Miliband: My hon. Friend draws an important link to the past. I did not know that, but I am very happy to agree that it would be apposite to act today as my hon. Friend suggests.

Hugh Bayley (City of York) (Lab) *rose—*

David Miliband: I will give way to my hon. Friend, but then I am going to make some progress.

Hugh Bayley: The Conservative party says that it supports the Government policy that aid should be targeted at poverty alleviation, and the treaty requires all 27 member states to follow that policy. If the Tories vote it down tonight, they will be voting against a policy that they tell the public that they support.

David Miliband: My hon. Friend makes exactly the right point. Conservative Members say that they want to will the ends of a constructive, engaged and forward-looking Europe, but at every opportunity—at Amsterdam, at Nice and now with the Lisbon treaty—they vote against it.

Mr. Graham Stuart (Beverley and Holderness) (Con) *rose—*

David Miliband: I am going to make some progress.

It is also worth explaining how the treaty will improve the accountability and transparency of EU business. A full-time Council president, appointed by the member states and answerable to them, will bring greater continuity and drive to delivering the agenda. Elected MEPs in the European Parliament have to approve EU legislation in more policy areas and, as was mentioned earlier, for the first time, national Parliaments get a direct say in making EU laws. If a majority of national Parliaments oppose a proposal and national Governments or MEPs agree, it falls.

Again for the first time, the treaty defines the EU's competences, setting out where the EU can and cannot act and it underlines that the EU has only such competences as are expressly conferred on it by the member states through the treaties. Those are good things—*[Interruption.]* The hon. Member for Beverley and Holderness (Mr. Stuart) says from a sedentary position that there is hardly any power left in the nation state, but I do not know where he has been in the past 10 years. Actually, on further reflection, I do know where he has been—going through the Division Lobby voting against the things that the Government wanted to do.

As I was saying, the measures I have described are good things and they are capped by the agreement at the last European Council that institutional reform would be put on ice "for the foreseeable future". No wonder that 27 Governments and 26 Oppositions have united to say that the treaty represents a valuable step forward and, above all—

Mr. Stuart: Will the Foreign Secretary give way?

David Miliband: Well, I am in the middle of a sentence, so I would be grateful if the hon. Gentleman would at least let me finish it. The treaty represents a valuable step forward and, above all, a fair resting place for the institutional reform of the EU. The 26 Oppositions I mentioned excludes only one—the Conservative party opposite, stuck in the past and obsessed with myths about the EU.

Mr. Stuart: The Foreign Secretary is speaking eloquently as usual, so can he explain why he has failed so spectacularly to convince the British people that pushing the treaty through the House is the appropriate way to move forward?

David Miliband: I think that it is at general elections that we convince the British people and Labour has a pretty good record on that—*[Interruption.]*

Several hon. Members *rose—*

Mr. Speaker: Order. We must have calmness.

David Miliband: The Conservative party tried peddling its Europhobia at the 2001 general election, and we all know what happened then.

Mr. Mark Harper (Forest of Dean) (Con): Will the Foreign Secretary give way?

David Miliband: No, I want to make this point, because— *[Interruption.]*

Mr. Speaker: Order. Allow the Secretary of State to continue his speech. It does not appear that he is giving way.

David Miliband: I was coming to the obsession with the myths about the EU. Last week, we heard one that I thought had been buried for good. At Prime Minister's questions, the Leader of the Opposition, the right hon. Member for Witney (Mr. Cameron), announced that the treaty will bring in a united states of Europe. A united states of Europe means one country, one Government, one currency and every single country of the EU reduced to the status of a county council. Under no circumstances could that be a true description of the Lisbon treaty, which is why no one among the opponents of the treaty believes it—not even the Dutch Party for the Animals, with which the Conservative party is now allied on the issue.

If the right hon. Member for Witney really believes that the treaty means a united states of Europe, he is honour bound to recommend that we leave the EU if the treaty is ratified. I hope that when the right hon. Member for Richmond, Yorks responds on behalf of the Opposition, he will either disown his leader's comment or say how he can foresee living in such an EU, because many Labour Members have doubts about what the Conservative party's real agenda is in respect of the EU.

Mr. Harper: I am grateful to the Foreign Secretary for giving way. I want to take him back to the point that he made a few moments ago, because he cannot be allowed to get away with it. At the last election, the Labour party put the issue on one side by pledging a referendum on a European constitution. The public believe, rightly, that the constitution is pretty much the same as the treaty. They have rumbled the Foreign Secretary and he cannot pretend that he has a democratic mandate to push these measures through.

David Miliband: We will test the democratic mandate at the next general election and see what the result is.

[David Miliband]

The right hon. Member for Richmond, Yorks claims that the new high representative

"will in time not merely supplement Members States' voices in foreign affairs, but replace them"

That is the claim even though the European Scrutiny Committee has said that

"the largely intergovernmental nature of the CFSP and ESDP will be maintained, with no significant departures from the arrangements which currently apply".

The hon. Member for Woodspring (Dr. Fox) claims that

"European integration threatens to tear the....NATO alliance apart",

but that runs directly against what the US State Department and NATO's Secretary-General have said about the treaty. The NATO Secretary-General said that

"no one today would still seriously assert that NATO and the EU are rivals whose aim is to drive each other out of business".

Clearly, he has not met the hon. Member for Woodspring.

The hon. Member for Rutland and Melton (Alan Duncan) speaks on energy for the Conservative party. This is what he said:

"A gas dispute in Bavaria could ultimately lead to gas rationing in Birmingham."

Michael Connarty: Rubbish!

David Miliband: My hon. Friend says that that is rubbish, and he is absolutely right. The hon. Member for Rutland and Melton continued:

"If there is an interruption in the supplies from the Gulf, the Commission can override our contracts. It can cut off our supplies from Milford Haven and send them to Ingolstadt, or divert our liquefied natural gas from the Isle of Grain to Novo Mesto."—[*Official Report*, 30 January 2008; Vol. 471, c. 347.]

It is embarrassing that a serious political party that aspires to government should come up with such claptrap.

As for the issue of qualified majority voting, the right hon. Member for Richmond, Yorks has talked about our national veto being "abolished in sixty areas", but he glosses over the fact that 16 of the 51 changes do not apply to the UK or apply only if we agree, while 15 are purely procedural. Furthermore, 20 changes will speed up or unblock decision making in areas not just where we want progress, but where the Conservative party says that it wants progress too.

Mr. Jenkin: Will the Foreign Secretary give way?

David Miliband: I am going to bring my remarks to a conclusion.

This scaremongering from the Conservative party is not new. Listen to what was said in 2003:

"The critics of Maastricht..."—

the hon. Member for Stone is a good example—

"foretold the imminent death of British self-government. They are no doubt surprised....to find the Queen safe on her throne, British forces occupying Iraq because of a British decision, the Bank of England in charge of interest rates".

Those words are not mine, but those of Lord Hurd.

Although the argument of the Conservative party is not new, it is dangerous and deluded. The treaty means greater voting weight for the UK, a smaller Commission and additional powers for national Parliaments, yet the right hon. Member for Richmond, Yorks says that there is not a single thing in the treaty that he can bring himself support.

It is one thing not to support our policies, but I cannot for the life of me understand why he is afraid of supporting policies that he says are his own. He says jobs, poverty and the environment should be prioritised by the EU, but he opposed the last two treaties that got us to this point, and he now opposes this treaty to take progress further.

Mr. Jenkin: Will the right hon. Gentleman give way?

David Miliband: No, I am going to conclude.

Mr. Jenkin: It is on defence.

David Miliband: No.

The truth is that the Conservative party has drifted so far towards the fringes of the better off out brigade that the hon. Member for Stone can happily declare that they have achieved an increase in

"our sense of uniformity and unity on such central questions."—[*Official Report*, 26 February 2008; Vol. 472, c. 993.]

Not half!

Mr. Cash *indicated assent.*

David Miliband: I am pleased to see the hon. Gentleman nod. He has moved from the fringes of his party to the centre. The truth did indeed come out last Wednesday when 37 Tory MPs—

Mr. Cash: Forty seven.

David Miliband: Excellent. So 47 Conservative MPs—in other words, one quarter of the modern Conservative party—supported the hon. Gentleman in voting for an amendment that aimed to reverse 50 years of cross-party support for the EU. The amendment claimed to assert the right of Parliament over European law. In fact, it would have made "a nonsense of the necessity for Community law to have the same effect in every member state if the UK, any more than any other member state, could choose by national law to override what it did not like." [Hon. Members: "Ah!"] Opposition Members can say "Ah!", but those were the words of Sir Geoffrey Howe at the Committee stage of the Bill that legislated for Britain's entry into the EU. People cannot join a club and write their own rules.

What was the position of the official Opposition last week? In the face of an amendment that would have endangered British jobs and British interests, after all the huffing and puffing about courage and convictions, and after all the attacks on the fence-sitting of the Liberal Democrats, they took the tough, principled and forward-looking decision to give Conservative Members a three-line Whip on an abstention that would have set back our national interests by 40 years. They talk about wanting to be constructive in Europe; in fact, they would wreck the national interest.

The truth is that successive Governments have faced a choice: whether to retreat from the world or to engage with the problems and opportunities beyond our borders. It is this Government's view that we must continue to look outward and to try to shape the world, building alliances to tackle the global problems that we face. That is why we are committed to playing a full role in Europe, driving the European Union's agenda and making a positive difference to the British people. That is what this treaty is about. That is why I commend the Bill to the House.

4.17 pm

Mr. William Hague (Richmond, Yorks) (Con): I begin on a note of agreement with the Foreign Secretary. Given that there are so many disagreements, it is a happy note on which to start. He paid many warm tributes to those of us who have taken part in the debates over the past couple of months. He was very generous to me—if being called antediluvian is a form of generosity; I suppose in Parliament we are grateful for small compliments. Indeed, he has shown himself to be a vigorous debater throughout all our proceedings, and one of the brightest members of the Cabinet, as he is known to be, although in the current state of the Government that may not be such an extraordinary accolade.

I certainly pay tribute to the Minister for Europe who, as the Foreign Secretary said, has always performed with great patience and humour, and will probably now become the portable lightning conductor for the Government and move from one Department to another. I also pay tribute to many Labour Members. The hon. Member for Linlithgow and East Falkirk (Michael Connarty) has been quoted by all of us in almost every speech we have given. The hon. Member for Glasgow, South-West (Mr. Davidson) vied with me to persecute the Liberal Democrats and call for a referendum. The right hon. Member for Leicester, West (Ms Hewitt) spoke many times, only to meet in the final hours the tragic news that Peter Mandelson may be offered a second term.

An extraordinary number—84—of my right hon. and hon. Friends have taken part in these proceedings. When one of them has spoken 210 times—it feels to those of us who often talk to him in the No Lobby like 310 times—that is a considerable debating contribution. I join the Secretary of State in the camaraderie that has infused those of us who have participated in the debate. I thought that he was going to propose an annual reunion at one stage, but perhaps we will not go that far.

The Opposition's case on the Bill's Third Reading is simple: its effect is to ratify a treaty that is overwhelmingly the same in its content as the rejected EU constitution. Its scrutiny by the House has not been as extensive or as detailed as it should have been, or indeed as was promised. Amendments supported by Members in all parts of the House that would have made improvements to the future scrutiny of changes to our relations with the European Union have been rejected. Above all, it continues to be the case that the Bill would come into force without ever being submitted for the consent of the British people in either a general election or a referendum. For all those reasons, we shall have no hesitation in voting against Third Reading tonight.

We have, of course, had many exchanges across the Floor of the House about whether the Lisbon treaty, on which a referendum is being denied, is essentially the same as the EU constitution on which a referendum was promised in the House. Mr. Giscard d'Estaing has probably been quoted more often in this Parliament during the last couple of months than he has been in the French Parliament in the last couple of decades. His well-known view that

"all the earlier proposals will be in the new text, but will be hidden and disguised in some way"

is shared overwhelmingly by the Governments and institutions of the European Union other than our own.

The resolution of the European Parliament on the matter welcomed

"the fact that the mandate safeguards the substance of the Constitutional treaty."

The Slovenian Prime Minister, who currently holds the European Union presidency, said that in the new treaty, the EU was given

"content that is not essentially different from the constitutional treaty...All key institutional solutions remain...Some symbolic elements will be cleared up and some formulations toned down."

That is the truth of the matter, but such disarming honesty and, indeed, enthusiasm for the similarity between the two documents has not extended to the British Government. They have maintained that the constitutional nature of the first document is not replicated in the second, despite the fact that the elements of the constitution identified by the current Lord Chancellor as fundamentally constitutional, such as the creation of an EU president and Foreign Minister, are present in the new treaty just as much as they were in the old one. This has been their case: that the first treaty was constitutional in nature and the second one is not, so there is no need for a referendum.

Bob Spink (Castle Point) (Con): Will my right hon. Friend give way on that point?

Mr. Hague: On that point, yes.

Bob Spink: Does it concern my right hon. Friend that we are being asked to ratify a treaty whose full extent and powers we do not yet know? The powers and duties of the president, for instance, have not even been discussed so far.

Mr. Hague: That is a good point, which has been raised during our debates. According to some of the documents leaked from the Slovenian presidency, many matters such as the precise demarcation of the roles of the EU president and the EU high representative have not been resolved. The stage is set for a turf war in the European Union.

As I was saying, the Government's case has been that the first document was constitutional and the second was not—or at least, that was the argument until the Foreign Secretary opined on the matter last Wednesday, when he made one or two statements on the subject that were rather revealing. He argued that manifesto promises were basically irrelevant to the question of a referendum. He argued that the decision on whether to hold a referendum should be made on the basis of the content of the treaty, irrespective of the

[Mr. Hague]

manifesto commitments given—in contradistinction to my argument that it is not just the content of a treaty that counts, and that the overriding issue of principle is the manifesto promises that should be upheld whenever possible.

The Foreign Secretary said that what he called the "constitutional practice" in this country was to hold a referendum when there was

"a fundamental shift in the balance of power".—[*Official Report*, 5 March 2008; Vol. 472, c. 1777.]

To talk of constitutional practice when only one United Kingdom-wide referendum has ever been held is probably a little premature. When questioned on whether a referendum on the EU constitution was promised in 2004 because it represented a fundamental shift in the balance of power, the right hon. Gentleman said that that was not the reason. The reason a referendum was promised on that occasion, and therefore was in the Labour party's election manifesto, was apparently to "clear the air" on the European issue. So after all the talk of constitutional practice and the necessity for a declaration of the contents of the treaty to be decisive in determining whether a referendum was held, it turned out that in the Foreign Secretary's own view, the Government of whom he was part promised a referendum not because of any constitutional practice or any particular contents of the previous treaty, but because they wanted to clear the air.

Mr. Denis MacShane (Rotherham) (Lab): Will the right hon. Gentleman give way?

Mr. Hague: I will give way in due course.

The constitutional doctrine now appears to be that a referendum is held when the Foreign Secretary and the Prime Minister—who were both in the Government when a referendum was promised—want to clear the air.

The potential for holding referendums when there is a need to clear the air is probably limitless, given the number of issues at any one time on which the air needs to be cleared. Whether it be the closure of thousands of post offices at the hands of an incompetent Government or the release ahead of time of thousands of prisoners, which is even more incompetent, there are many issues on which people would love to clear the air. If a national ballot is to be held every time we need to clear the air, how about having a general election, so that we can clear out the Government as well?

As the Foreign Secretary is perhaps the brightest member of the Cabinet, the confusion into which he entered by making this argument is a sure sign of the intellectual incoherence to which the Government have been reduced. The reason this is so revealing is that it confirms a truth that has been put to the Government several times during the course of our debates by my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke), who is not present today. I have always respected his support for the treaty and opposition to a referendum, because he has always been so clear about that, even in general election campaigns. He has called on the Foreign Secretary to stop the nonsense of pretending that the two treaties are fundamentally different, and to admit that the early commitment to a referendum was entirely for short-term party motives, for which the term "clear the air" is the shorthand.

For the truth is that the Foreign Secretary and the Prime Minister now believe that the former Prime Minister made a serious error in promising a referendum, and that that error has reduced them to arguing that something that is 90 per cent. the same is fundamentally different. The Government promised a referendum in 2004 because they were approaching a general election and the former Prime Minister thought he might even win a referendum, whereas today we are probably somewhat further from an election and the current Prime Minister thinks that winning a referendum is beyond him. That is the truth of the matter.

Several hon. Members *rose—*

Mr. Hague: I shall give way first to the right hon. Member for Rotherham (Mr. MacShane) because he was the first to rise earlier.

Mr. MacShane: If I am following the right hon. Gentleman's logic correctly, he is saying that the treaty that we are debating now is the same as the old constitution, and that a pledge was given to have a referendum on that constitution, which must be honoured. Is he therefore saying that if we pass into law tonight the treaty that he avers is the same as the old constitution, the position of his party will be to have a referendum on that? We need to know; the nation needs to know.

Mr. Hague: The right hon. Gentleman says that the nation needs to know. I am saying that a referendum should be held on this treaty; that is the clear implication of everything I am saying. As I have frequently explained, quite a lot of water has to pass under the bridge before there will be any possibility of moving on to the question raised by the right hon. Gentleman, to whom I should also have paid tribute for his many interventions in these debates, including the most memorable one, when he said that the Prime Minister had been wrong about the weight of European regulation—which means that we look forward to his interventions from the Back Benches for many years to come; we have all that to look forward to.

I hope that the Foreign Secretary will spare us the lectures about constitutional practice. The promising of a referendum and then the refusal to give one are nothing to do with constitutional practice or Ministers weighing matters in the balance, but are everything to do with the sharp practice of Ministers focused solely on what they could or could not get away with. Thus they have found themselves not only denying a referendum when a commitment to hold one was given, but denying it for different reasons from those that they usually give in public. On any assessment of transparency and integrity in politics, their sequence of arguments has been about as low down the scale as it is possible to get.

Mr. Ian Taylor (Esher and Walton) (Con): My right hon. Friend is absolutely right to chide the Labour Government for the confusion they got themselves into, but does he accept that some Conservative Members have seen in both the constitution and the treaty positive benefits for the United Kingdom? Indeed, in many cases the treaty was rejected by the French because it was seen as too Anglo-Saxon. I also ask my right hon. Friend to accept my apologies for not staying through the whole debate, as I shall this evening be chairing a meeting of a vibrant but small body, the Conservative Group for Europe.

Mr. Hague: As my hon. Friend and I have discussed these matters for a decade and more, he knows that I entirely respect his view on the merits of European political integration, although it is different from mine in many respects. I bracket him with my right hon. and learned Friend the Member for Rushcliffe in never having said there should be a referendum, and in always having advocated the European constitution. That is a straightforward approach—although I believe in many respects a wrong one—which is in stark contrast with the approach of the Government Front Bench.

Several hon. Members *rose—*

Mr. Hague: I shall give way first to my hon. Friend the Member for Stone (Mr. Cash).

Mr. Cash: I am particularly grateful to my right hon. Friend for fumigating the Government's speeches on the whole question of the treaty and the referendum. Does he accept the importance of stating, in line with my reasoned amendment, which was not selected, that we will defend and protect this Parliament's supremacy to ensure that we are not overridden by the European Court of Justice, or by our own courts, and that we have a sound constitutional position for any further renegotiations?

Mr. Hague: Given the growth of the EU's powers, British sovereignty and the ultimate supremacy of Parliament need a constitutional safeguard, but I also say to my hon. Friend that the legal implications of any such provision must be absolutely clear. More work would need to be done in the future on the context and formula by which it is achieved, but I have great sympathy with the constitutional safeguard of ultimate supremacy.

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op): I clearly understand the difference between the right hon. Gentleman's view and that of the hon. Member for Esher and Walton (Mr. Taylor), but what is the difference between his view and that of the hon. Member for Stone (Mr. Cash)?

Mr. Hague: My hon. Friend the Member for Stone could easily take the hon. Gentleman aside for several hours to explain the difference. That may be the best option. If he would like to meet my hon. Friend in the Tea Room afterwards, he would be happily occupied for the evening.

Ann Clwyd (Cynon Valley) (Lab): As the right hon. Gentleman knows, I was a Member of the European Parliament for five years. One of the things that was apparent was that the Conservative group was profoundly uncomfortable with other nationalities—indeed, some of its natural allies did not want to be its allies, because they considered it to be too extreme. When Peter Sutherland, the chairman of BP, was asked by the *Financial Times* whether Britain wanted to be in or out, he said:

"Those demanding a vote on the EU reform treaty should have the courage to state where they truly wish to end up".

Where does the right hon. Gentleman wish to end up?

Mr. Hague: I wish to end up in the European Union but not with this treaty. That is why there should be, and should have been, a referendum. That is in no way an illogical position to take, because many of us have maintained for many years that we should be in the European Union but we should not increasingly be taken over by it. It is the majority view of the people of this country, and it gains additional authority as a result.

Mr. Edward Davey (Kingston and Surbiton) (LD) *rose—*

Mr. Hague: I have not yet come to the Liberal Democrats. I shall do so later, but I give way to the hon. Gentleman now.

Mr. Davey: The right hon. Gentleman seems to be extolling a new potential Conservative policy when, in response to the hon. Member for Stone, he talked about a new constitutional safeguard. Does he mean the possibility of using article 49A, which, as he knows, gives member states a right to secede from the Union, or does he have something else in mind—possibly something that he might wish to renegotiate with our colleagues if he were to pull out of this treaty?

Mr. Hague: I mean none of those things. Only the Liberal Democrats have gone on about the article that allows a withdrawal from the European Union. It is one of the least likely treaty articles to be employed, which is why our consideration in these debates must be on the many other articles that will be employed. I am simply saying what I said a few moments ago: given the steady growth in the EU's powers, I can see the case for a constitutional safeguard. I would have thought that many Members across the House would also be able to see that.

The Government have also been engaged in promoting as largely innocuous a treaty that was of sufficient concern to them for them to have opposed large parts of its content for some years. As I pointed out on Second Reading, they opposed the EU high representative chairing a meeting of Foreign Ministers; they also opposed the obligation to ask the high representative to speak for the EU at the UN Security Council when there is a common position. They opposed the creation of an EU diplomatic service and said that they could not agree to the self-amending nature of the treaty. They opposed the election of the President of the Commission by the European Parliament. They tried to prevent employment, public

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health, consumer protection and transport networks from becoming shared competences with the EU. They objected to the article on a common defence policy, and they opposed the collapsing of the third pillar on justice and home affairs, but they eventually settled for those and many other things that they had maintained were wrong or unacceptable.

Many of the objections that right hon. and hon. Members have made to the treaty in these proceedings were objections that Ministers made themselves until recently, as my right hon. Friend the Member for Wells (Mr. Heathcoat-Amory) pointed out. Once again, the Government have not been straight with the country. They have taken to arguing that such things are now of little importance, but the truth is that they decided to give way on them rather than not have an agreement.

What is worse is that the Government have also taken to arguing that certain concepts introduced in the treaty have been knocking around for a long time. The Foreign Secretary argued last Wednesday that

"the provisions on legal personality have been around since Maastricht, which was pioneered through the House by the Conservative party."—[*Official Report*, 5 March 2008; Vol. 472, c. 1778.]

Again, the implication is that nothing much is going on. In fact, the Lisbon treaty's provisions on the EU's legal personality, which are identical to those of the EU constitution, are a major change to the current situation. Since Maastricht, the EC has had legal personality, but the EU has not, hence the three-pillar structure. That is why the proposal at Amsterdam to give the EU a single legal personality merited this remark from Tony Blair at the Dispatch Box:

"We have also ruled out other potentially damaging proposals. For example, others wanted to give the European Union explicit legal personality across all the pillars of the treaty. At our insistence, that was removed."—[*Official Report*, 18 June 1997; Vol. 296, c. 314.]

If that was a "potentially damaging" change in the view of the then Prime Minister in 1997, it cannot now, in 2008, have been around since Maastricht. Part of the case against the Third Reading of the Bill is that a Government who have been through so many contortions, inversions of principle and twists of logic have emerged with a case in favour of the treaty so peppered with holes that they have shot themselves, and so accompanied by unsubstantiated assertions that the treaty should not be passed without the holding of the referendum that these Ministers promised.

Mr. James Clappison (Hertsmere) (Con): My right hon. Friend mentioned the self-amending treaty. Does he think that it takes a bit of cheek for the Foreign Secretary to say that institutional change is not on the agenda for the foreseeable future, when the Government have signed up to a whole range of passerelle clauses that will make institutional change, which would at the moment need intergovernmental conferences, possible without such conferences and with little ado?

Mr. Hague: My hon. Friend, who has played a frequent and excellent part in these debates, once again makes his point very well. He took part in the debate on the passerelle—or ratchet—clauses, about which I shall say more in a moment. They will open the door to further institutional change.

Rob Marris *rose—*

Mr. Hague: I give way to the hon. Gentleman, who has also played a frequent part.

Rob Marris: What evidence can the right hon. Gentleman adduce that a better deal for the United Kingdom than that in the treaty would be possible—or would he prefer no deal?

Mr. Hague: I believe that the Government should have put the case for their own vision of the future of Europe in the past two or three years, between the rejection of the constitution in 2005 and the agreement on the Lisbon treaty in 2007. Instead, they sat immobile, saying that the constitution was dead, that it was a parrot that had died and that no negotiations were taking place. They allowed the negotiations to happen to them, rather than influence the negotiations and put forward their own vision of the future. Tragically, the opportunity was missed.

Miss Anne McIntosh (Vale of York) (Con): Does my right hon. Friend agree that it is curious that we were not allowed line-by-line analysis and scrutiny of the Bill, but that we spent a whole day on one line of it, on climate change?

Hon. Members: Six words.

Mr. Hague: My hon. Friend makes a powerful point. The six words on climate change, which involved no new procedures and powers, were debated for several hours under the Government's procedural motion, which meant that some five minutes were spent on each letter. The 13 pages on justice and home affairs, however, had the same amount of time for debate, which worked out at 45 seconds per line.

My hon. Friend brings me to the next part of my case against Third Reading. The line-by-line scrutiny that a Bill of this nature should receive and that the Government promised, partly as a response to the demand for a referendum, has not taken place in the way that the nation had every right to expect. The media were informed by the Government last autumn that 20 full days of debate would take place in this House, but today we come to the end of those debates after 14 days, compared with 29 days of debate on the treaty of Maastricht. The Bill has only eight clauses yet clause 4, on the increase of the powers of the European Parliament, was debated for less than 15 minutes and clause 5, on the amendment of the founding treaties, was not debated at all.

The time restrictions imposed and the introduction of themed debates to which so many in the House objected has meant that of the 227 amendments selected for debate just under half were ever reached. As a result, amendments on asylum, borders, migration and visas, on judicial co-operation and civil matters, on freedom of establishment, free movement of workers, intellectual property, personal data and social policy, and on transport were never debated at all. In addition,

the amendments on defence were never debated, even though the French Government clearly believe that the provisions included in the treaty paved the way for a major change in our defence arrangements.

In his article in yesterday's *International Herald Tribune*, the French Foreign Minister said that the French EU presidency, beginning on 1 July, would

"prepare the implementation of permanent structured cooperation".

He said:

"The European Security and Defence Policy inscribed in the Lisbon Treaty is finally allowing...the EU...to fully assume its role on the international scene."

There may be, in the minds of some hon. Members, a case for such a development—there is a case against such a development—but it is beyond argument that such changes are of enormous importance to the defence posture of this country and the performance and future of NATO. A Bill that permits such changes in the area of defence but on which there has been no detailed debate in the House of Commons concerning those provisions is not a Bill that should receive Third Reading.

Mr. Jenkin: The Government have repeatedly said that unanimity is the rule in matters of defence. However, a close reading of the provisions on defence shows that qualified majority voting figures again and again, particularly in the provisions on the European Defence Agency and the setting up and expulsion of members from the permanent structure of co-operation. Those arrangements are clearly designed to pressure member states into accepting a consensus that they might not otherwise accept, because it might not be in their interests.

Mr. Hague: My hon. Friend makes a valid point. The importance of those issues should have merited substantial debate on the Floor of the House and defence should have merited a separate day of debate, which is what we argued when the procedural motion was tabled at the end of January. The procedure and timetable adopted by the Government for the examination of the Bill has militated against the detailed discussion of many of its most important provisions. I hope that that will be borne fully in mind when the Bill in debated in another place in the coming weeks.

Mr. Mark Hendrick (Preston) (Lab/Co-op): Will the right hon. Gentleman give way?

Mr. Hague: Let me finish another point; otherwise nobody else will ever get into this debate.

I hope, too, that Members of the upper House will examine particularly carefully those issues on which Members from all quarters of this House have expressed concern. The most outstanding example of that, on which—unlike all the other provisions of the Bill—the hon. Member for Kingston and Surbiton (Mr. Davey) and I saw eye to eye, is clause 6, which continues to provide for the wide-ranging abolition of further national vetoes, which was raised by my hon. Friend the Member for Hertsmere (Mr. Clappison). It even provides for moving the whole of foreign policy from unanimity to qualified majority voting in the future, without a further treaty and on the basis of approval of an affirmative motion in each House of Parliament. Intense concern about that matter has been reflected in our debates. The Minister for Europe will recall that not a single Member from any party spoke in support of his position except for him. The only Labour Member to speak spoke against the provisions.

The process unites many of us who have different views about the treaty. I have already mentioned the Liberal Democrat Front-Bench team—or at least its remaining members—in that regard. We are completely at one in finding the procedure inadequate. Until now, changes to European treaties have been a matter for primary legislation. For future changes, which are the equivalent of major treaty changes, to be subject to anything less than primary legislation is another major reduction in the rights and role of our Parliament.

Mr. Hendrick: The right hon. Gentleman has made it plain that he is unhappy about the way in which the treaty has been dealt with in the House, particularly the content. If in the dim and distant future there ever were another Conservative Government, with which party would he renegotiate the treaty?

Mr. Hague: The hon. Gentleman has asked that question so often that by now he should know the answer by heart. I notice that even he does not feel able to support the Government on what I have just been describing—the scrutiny of changes with the ratchet clause and the passerelles. When Members from all parties feel that parliamentary scrutiny of Executive action should be intensified rather than relaxed, whichever party forms the Government of the day, there is much common cause to be made on changing that aspect of the Bill.

Geraldine Smith: Does the right hon. Gentleman not think that the British people have a right to know what his party would do about the treaty if the Conservatives ever came to government? He will not answer that question. If the treaty is so bad for Britain—if it is so bleak—what will he do about it? I happen to think that the right hon. Gentleman and not their current leader may be the next Tory Prime Minister.

Mr. Hague: I can certainly rule out the last part of the hon. Lady's question, which was a most mischievous thing to come up with—she need never consider that possibility. The answer to the first part of her question is that people know from the vote on the referendum last week how the Conservative party approaches the matter: we are the only party leadership in the House who stayed true to what we stated in our last election manifesto. At the next general election, we will be true to what we state in our manifesto then.

Angus Robertson (Moray) (SNP) *rose—*

Mr. Hague: I should of course have included the hon. Gentleman, although consideration can be given to what constitutes a major party in the House. However, so that he may correct me, I give way.

Angus Robertson: For the record, will the right hon. Gentleman concede that the first party in this House that called for a referendum on the constitution and the treaty was the Scottish National party?

Mr. Hague: I honestly cannot remember who called for one first, but I shall happily bracket the hon. Gentleman with parties that have stood by the commitment they made to the voters during the last general election campaign.

I said that I would have a friendly word of advice for the Liberal Democrats. On the subject of the proceedings to come in the upper House, I put it to them that it is not too late to learn lessons from the resignation of three senior members of their Front-Bench team and to honour the commitment to vote for a referendum that they and the rest of us made. The votes last Wednesday demonstrated that with their support the move for a referendum on the treaty could have been carried in the House. At the next general election, everything they say about a referendum will be against the backdrop of the fact that they could have brought about a referendum on this treaty had they so wished.

As I have quoted the Liberal Democrat leader, the right hon. Member for Sheffield, Hallam (Mr. Clegg), in almost all my speeches on the Bill I do not want him to feel left out today. In his speech in Liverpool on Sunday, he said:

"No wonder people are tired of politics...let's give people the say they deserve."

The contortions of two party leaderships about a referendum are exactly why people are tired of politics; the people should indeed be given the say they deserve. In his leadership acceptance speech on 18 December, the right hon. Gentleman said:

"We want to change politics."

I congratulate him on doing so, because he has invented a new concept of collective responsibility, in which some people who vote against the party leadership have to resign while others can merrily stay put. Although three members of the Liberal Democrat Front-Bench team voted with us on a referendum and resigned, there are eight others who voted with us on a referendum whom the leader of the Liberal Democrats did not have the courage to sack. I can tell him that that is no way to run a Government, if that is something that has ever entered his head. We may be seeing not only a new version of collective responsibility, but a new form of extended abstention, in which a party abstains from voting on something to which it was committed, and its leader abstains from doing anything about colleagues whom he told to abstain but who did not do so. It is abstention as a way of life, but it is not exactly the change in politics that people had in mind. The result is that the Bill still lacks the requirement for a referendum that should so obviously be included in it.

The withholding of a referendum is obviously opposed by those of us who oppose the treaty, but given that it was promised in a document so overwhelmingly similar, its absence damages our politics as a whole. We call for a referendum not just so that people can say no to the treaty, but so that they can have their say—yes or no—on the many profound changes in it. Our debates have proved that the changes are fundamental to our relationship with the EU. To name but four of the changes, there is: the movement of criminal justice and policing from intergovernmental to supranational control; the end of the rotating presidency, shared between Europe's countries, and its replacement with a new EU president who is meant to drive forward the EU's agenda; the creation of the EU Foreign Minister in all but name, with the diplomatic service that the Government opposed; and the endowment of the charter of fundamental rights with full legal force. Those changes together represent a major shift of power from Europe's nation states to the EU's central institutions, and all are reproduced from the EU constitution.

As for the pathetic fig leaf that the Government have cited so often—the idea that the constitutional concept has been abandoned—we all know that the European Scrutiny Committee was right on that point. I must quote it, as I say that we quote it in every debate. I quote not partially, but in full:

"Taken as a whole, the Reform Treaty produces a general framework which is substantially equivalent to the Constitutional Treaty."

The Committee went on to say:

"Even with the 'opt-in' provisions on police and judicial cooperation in criminal matters, and the Protocol on the Charter, we are not convinced that the same conclusion does not apply to the position of the UK under the Reform Treaty."

It continued:

"Accordingly, we do not consider that references to abandoning a 'constitutional concept'...are helpful and consider that they are even likely to be misleading in so far as they might suggest the Reform Treaty is of lesser significance than the Constitutional Treaty."

The whole course of events was set out clearly in the German presidency's official report of 14 June last year, which stated:

"A certain number of Member States underlined the importance of avoiding the impression which might be given by the symbolism and the title 'Constitution' that the nature of the Union is undergoing radical change. For them this also implies a return to the traditional method of treaty change through an amending treaty, as well as a number of changes of terminology, not least the dropping of the title 'Constitution'."

It said:

"Such an approach is not incompatible with the demand from those Member States which have already ratified, that as much of the substance of the Constitutional Treaty as possible should be preserved. They are ready to consider the alternative method of treaty change."

So the strategy was clear: it was to change the name and title, but to keep the substance of the treaty. That is exactly what happened. The process was designed to bring back the constitution, disguised just enough for the Government to have a fighting chance of hoodwinking voters into thinking that the referendum promise could be forgotten. *[Interruption.]* I must now try to close my remarks.

The way in which the treaty is being rammed through without a referendum is as clear a breach of an election promise to voters as one could get, and the inescapable reality of the whole process is that the Government have no democratic mandate to sign up to the treaty. The plain fact of the matter is that the Government are attempting to make fundamental changes without letting the voters have any say at all, either in a general election or in a referendum.

If the Government get their way, and next year the new EU president stands up and claims to speak for all Europe, this country included, voters may well ask, "When did we give permission for this person to speak for us?" and the Government's honest answer would

have to be, "Never." As the charter of fundamental rights becomes legally binding, and as the European Court of Justice begins to change EU laws in light of the charter, as it inevitably will in time, people will ask when they agreed that the document should have legal force, and Ministers will have to answer, "We thought you should have no say on the matter." When Eurojust initiates some investigation, or the European Court of Justice, with its new full jurisdiction over criminal justice agreements, changes some part of our criminal justice system, or when the Government opt into an EU law on criminal proceedings and are then outvoted, people will ask when they were consulted about that. Those Members here who voted against a referendum will have to say, "I voted to stop you having a say when that went through."

If the treaty goes through, the EU will hold powers that the British people never gave it permission to hold. It will work by new methods that the British people never endorsed. If Ministers and Liberal Democrat leaders had as their real intent the undermining of the European Union's democratic legitimacy in this country, they could have chosen no better way. Despite the EU's many profound faults and follies, I believe that the EU has benefited Britain and the rest of Europe, and that is yet another powerful reason to oppose the Government's arrogant determination to ram the treaty through against the British people's wishes. They will in the long term find that they have been false friends to the European Union.

Everything about the ratification of this repackaged constitution has been marked by cynicism and calculation. The voters who put us here already have a low opinion of this place, yet the Government have done everything they can to confirm it by treating people like fools. Why should they believe manifesto promises when those are so shamelessly ignored? How can they believe a Prime Minister who claims to want to listen to the people, when he does everything in his power to stop them having their voice heard? Why should voters trust politicians when politicians will not trust them?

The treaty is not just damaging to our national interest. It will not only give the EU unwarranted power over our national life. It marks the point when the arrogance of power made a Government forget that nothing lasting can be built in a democracy without the people's consent.

4.56 pm

Ms Patricia Hewitt (Leicester, West) (Lab): I am delighted to support the Third Reading of this important Bill, particularly after participating in so many hours of debate on the Bill, which have proved so immensely instructive and in many ways so enjoyable.

I start by adding my own tribute to my hon. Friend the Minister for Europe, who has been a consistently well informed and good natured companion through the highways and byways of the Lisbon treaty, in a debate that has also been marked by the intellectual weight and the vision of my right hon. Friend the Foreign Secretary.

The debate has on so many occasions been enlivened by the great wit of the right hon. Member for Richmond, Yorks (Mr. Hague)—a brilliant wit that sometimes disguises the vacuousness of his party's position on the central issue of our country's relationships with our partners in the European Union. We have also heard on many, many occasions the arguments, the fears and the conspiracy theories from Opposition Members who oppose more or less openly Britain's membership of the European Union, as do a few of my hon. Friends.

Listening to those contributions over these many days, I was constantly reminded of why and when I became a pro-European.

Keith Vaz (Leicester, East) (Lab): I congratulate my right hon. Friend on the assiduous way in which she has participated in the debates. Does she agree that from the point of view of the Opposition, this has been a missed opportunity to talk about the future of Europe? All they are concerned about is the past, and being as negative as they can be about the European Union.

Ms Hewitt: I entirely agree with my right hon. Friend, and that is a point that I shall elaborate on in a moment. What we have seen in the debate is a Conservative party that is increasingly talking to itself, not to the British people and certainly not to our partners in the European Union.

Mr. Graham Stuart: Will the right hon. Lady give way?

Ms Hewitt: I shall give way shortly, but I want to take a few moments to recall, if I may, a little of my personal history and to revert briefly to the early 1970s. I had come from Australia as a student, as many hon. Members know, and had only recently made my home in this country. I was an enthusiastic young member of the Labour party, and I went, as enthusiastic members do, to the Labour party conference. In search of enlightenment, I went to the fringe meeting of the Labour Common Market safeguards committee, no less—and fringe indeed it was. I had the opportunity to listen to two gentlemen who were then Members of this House—Bryan Gould and the late Peter Shore. As an expatriate Australian, I had some sympathy with Bryan Gould's position. He was particularly worried about New Zealand butter, and distressed that the United Kingdom, by joining the Common Market, as it then was, would turn its back on the Commonwealth, with its system of Commonwealth trading preferences, and abandon the farmers of Australia and New Zealand. The more I listened to him and to Peter Shore, the more horrified I became by the chauvinism, protectionism and sheer little Englandism of it all, and I decided there and then that I would have no truck with that.

Mr. Harper: How can the right hon. Lady say that wanting to have a good relationship and engage properly with the Commonwealth—an organisation that encompasses a significant proportion of the human population, particularly in many of the poorer countries—is being xenophobic and not wanting to reach out to people in the world?

Ms Hewitt: I think the hon. Gentleman knows perfectly well that that is not what I was saying. Indeed, I have consistently argued that it is part of the unique

[Ms Hewitt]

position and weight that our country has in the world that we simultaneously are a leading member of the European Union, play a huge role within the British Commonwealth, and have an important and close relationship with the United States of America.

Mr. Jim Cunningham (Coventry, South) (Lab): Like my right hon. Friend, I remember that period. What Conservative Members are not telling us is that another alternative to the Commonwealth was being considered at that time—the Scandinavian dimension. Furthermore, what is being missed in all these debates is the fact that everybody knew, when they signed up to the treaty of Rome, that all things would flow from that. We cannot turn the clock back. If we should ever have had a referendum, it was on the single market, because everything—the Bank and the whole lot—flowed from that, and that is not being faced up to in these debates.

Ms Hewitt: My hon. Friend is absolutely right.

I want to make a further point about the Conservative party. In those days, when I was forming my own, very strongly pro-European views, the Conservatives were the party of Britain in Europe, and proud to be so—led of course by Ted Heath, who negotiated Britain's entry into the Common Market—and the party that two decades later negotiated and agreed the Maastricht treaty and took that Bill through this House, with no referendum at all. We have heard many right hon. and hon. Members who have served in this House for far longer than I have say that these debates have often felt like a "Groundhog Day"-style re-run of the Maastricht debates nearly 16 years ago.

Mr. John Hayes (South Holland and The Deepings) (Con): I am reluctant to interrupt this fascinating journey through the right hon. Lady's CV. Nevertheless, if she wants a straightforward debate on these matters, it would benefit the House if she would be straightforward about whether she sees the European Union as an intergovernmental organisation or supports the supranational elements in this treaty, which for many of us fly in the face of the intergovernmental approach that she says she admires, for example in the Commonwealth.

Ms Hewitt: I strongly support the treaty, in all its aspects. I strongly support the European Union as an organisation—I have argued this point before—in which Governments share sovereignty on issues where they believe that by pooling sovereignty we can do better together than we can do alone. The Union is quite different in its nature from the British Commonwealth, which has its own strengths but is a completely different kind of association. Although many of the arguments and, I suspect, the speeches that we have heard in the past few weeks are similar—perhaps identical—to those that the House heard during the Maastricht debates, the hon. Gentleman confirms that the position of the Conservative party as a whole is very different from what it was 16 years ago.

Let me remind the House of what the then Prime Minister, John Major, said in November 1992 about the European Communities (Amendment) Bill:

> "The motion before us is about the treaty agreed at Maastricht; but the substance is about Britain's priorities in Europe, and the essential question there is quite simple: in this country, are we or are we not to play a central role in Europe's future development? I believe that the answer that this House gives to that question is fundamental to our future well-being—both economic and political. I have no doubt about the answer to that question. The answer, in our own national self-interest, must be yes—we will play a central part in the future of the European Community."—[*Official Report*, 4 November 1992; Vol. 213, c. 284.]

What a contrast with the views we have heard—with a few exceptions—from Conservative Front Benchers and Back Benchers.

Mr. Gerald Howarth (Aldershot) (Con): Does the right hon. Lady not accept that the reason the Conservative party has shifted its position is that the European Union has shifted its position? The British people have found out that the pooling of sovereignty to which she refers has proceeded to such an extent that we, the elected representatives of the people of this country, are no longer able to decide on a whole raft of issues on their behalf because powers have been progressively handed over to Brussels. That is why this party is changing. At least this party is standing up for the people of this country, which is more than she has ever done.

Ms Hewitt: We have heard arguments along those lines from the hon. Gentleman and other hon. Members during these debates, and he refers to Brussels and to Europe as if they were a foreign occupying power—some alien force imposing its laws upon us—instead of an association of which we are willing and leading members. One reason I support the treaty, and wish that he did, is that far from advancing us inexorably to a united states of Europe or an imagined federalist superstate nightmare, it strengthens the role of member states, national Governments and, specifically, the voting power of the United Kingdom.

Rob Marris: Does my right hon. Friend agree that part of the difficulty with the position of many Conservative MPs is that they think power is a zero-sum game? They think that either we have got it, Brussels has got it, the UN has it, or the Commonwealth has it, rather than acknowledging the concept of leverage, through which on occasion, by sharing power, the United Kingdom increases our power.

Ms Hewitt: My hon. Friend, who has been such an assiduous contributor to these debates, makes a point that is profound and important in this increasingly interdependent world.

Mr. Chaytor: Pursuing the point about the Conservatives' reaction, does my right hon. Friend agree that there is almost a collective sense of denial in their party, given that a Conservative Government made the three key decisions that took Britain into the European Union, and strengthened our relationship with it? Are they not trying to conceal their responsibility for the very policies that they now oppose?

Ms Hewitt: My hon. Friend is right and psychologists would doubtless have an interesting time analysing the reasons. His point is confirmed by the fact, that 16 years ago, the right hon. and learned Member for Rushcliffe (Mr. Clarke), the right hon. Member for Suffolk, Coastal (Mr. Gummer) and the hon. Member for Esher and Walton (Mr. Taylor), who have all spoken eloquently in our debates, were members of the Government who argued for Britain's place in Europe and for a treaty that deepened and strengthened our relationship in Europe. Today, they are part of the small handful of pro-Europeans left on the Conservative Benches. Indeed, as the hon. Member for Esher and Walton said, rather ruefully, during the speech from the Conservative Front Bench, they have been so depressed by what they have heard from their party that they have given up the ghost this afternoon.

Mr. Richard Shepherd (Aldridge-Brownhills) (Con): Treaties have a cumulative effect. During the debates on Maastricht, the Government of the time argued for a Europe des patries, which was emphasised by the pillar arrangement. That was then. We now face the collapse of the pillars and not a Europe des patries but a European Union. That is why the argument progresses and the essential flame of our concept of liberty will not be extinguished by all the Foreign Secretary's patronising.

Ms Hewitt: The treaty does not extinguish the great British flame of liberty. With respect, we have heard that sort of nonsense from Eurosceptics since before the United Kingdom joined the Common Market. The hon. Gentleman and other Conservative Members should recall that, on the eve of Britain's entry into the Common Market, Ted Heath signed not a secret piece of paper but a public declaration that members of the Common Market intended to move progressively towards a deeper political and economic union.

Mr. David Burrowes (Enfield, Southgate) (Con): The right hon. Lady has given us the history of her journey to becoming a pro-European and taken us back to the 1970s. May we take her back to 1983? Did she share the platform of wanting to get out of Europe, which was no doubt then a manifesto commitment of the current Prime Minister?

Ms Hewitt: I did indeed. I stood for the constituency that is now represented so ably by my right hon. Friend the Member for Leicester, East (Keith Vaz), and did so on the manifesto on which we all fought that election. I learned an enormous amount from the voters to whom I listened during the campaign. I learned that my right hon. Friend the Member for Manchester, Gorton (Sir Gerald Kaufman) was correct to describe our manifesto as

"the longest suicide note in history".

It was not a manifesto that any party that was serious about forming a Government should have written. The British people formed their judgment on us, and after that election I went to work for Neil Kinnock when he became leader of the Labour party and began the long march back to reconnecting us with the British people and enabling us to form a Government again.

Mr. Lilley: Having revealed the way in which she turned her coat, will the right hon. Lady now show a little respect for some of us who were elected in 1983 in the belief that we should be part of the European Community, who retain that belief but do not want to hand over further powers, and who would like to regain some powers for this country? Will she show some respect for that position, even though I do not have much respect for her constant abandonment of pledges—she has abandoned another—that she makes to the electors?

Ms Hewitt: My difficulty with the right hon. Gentleman's position is that he and many Conservative Members persistently refuse to recognise that the treaty secures so many of the objectives that they claim to support. As was concluded by the senior expert group, of which Dame Pauline Neville-Jones, who I understand advises the right hon. Gentleman's Front-Bench team on national security, is a member, the Lisbon treaty strengthens the position of member states in a number of respects— including the fact that the president of the European Council will serve more than six months, so that it is more than a rotating position.

To make a further point, 16 years ago the hon. Member for Stone (Mr. Cash), with whom I have had so many happy exchanges in these debates and who has spoken so eloquently on the matter, was one of only 22 rebels on his party's Back Benches—I think that I am right in recalling that John Major had a rather less flattering name for him and the other rebels. Now, however, the hon. Gentleman is tabling amendments that are virtually identical to the amendment tabled by those on his Front Bench. The debate over the past three weeks has confirmed that the centre of gravity in the Conservative party has fundamentally moved against Britain's membership of the European Union.

The Leader of the Opposition has promised—and not changed his promise—to take his MEPs out of the European People's party, isolating himself from centre-right Governments in the European Union and leaving his party with barely a single ally among the Governments or mainstream political parties of the enlarged Union. Indeed, Daniel Hannan, one of the Conservative MEPs, likened the European Parliament's president—a German Christian Democrat—to Adolf Hitler, causing immense offence to conservative colleagues—*[Interruption.]*

Madam Deputy Speaker (Sylvia Heal): Order. Perhaps we could now get back to the Third Reading of the Bill.

Ms Hewitt: I am grateful to you, Madam Deputy Speaker.

The point I am seeking to make is that the argument that we have heard throughout the debates in Committee, and which we have begun to hear from the Opposition in this debate, confirms a profound shift towards Euroscepticism and views that were regarded as minority and extremist views less than two decades ago. It is no wonder that Caroline Jackson, also a Conservative MEP, has described her party's position on Europe as

"a very nasty patch of poisonous fungus".

Mr. Angus MacNeil (Na h-Eileanan an Iar) (SNP): The right hon. Lady has told us that she U-turned on her position of 25 years. Has she U-turned on her position of three years ago, and is she for or against a referendum now?

Ms Hewitt: That issue was dealt with fully in our debate last week. Although I supported a referendum on the constitutional treaty, for all the reasons that have been given in the House and outside, I do not support a referendum on the treaty. Nor would I support for a moment the position that the Opposition have taken of threatening to renegotiate the treaty after it has been ratified by Parliament and by each of the 26 other members of the European Union. Rather like with the Labour party manifesto of 1983, that policy position simply could not be advanced by any party that was serious about forming a Government.

Mr. Hendrick: Does not my right hon. Friend's point about the Conservatives leaving the EPP in 2009 show why the right hon. Member for Richmond, Yorks (Mr. Hague) could not say who they would negotiate with? There would be nobody to negotiate with, because the Conservatives have no friends in the European Union.

Ms Hewitt: My hon. Friend is right. The right hon. Member for Richmond, Yorks, who speaks for the Conservative party on these matters, has completely refused to answer that point.

Mr. Cash: In her perambulation through the U-turns of the Labour party, would the right hon. Lady be kind enough to remind us what happened in the referendum in 1975? I think she said that nobody in their right mind would go down the route of a referendum, but it was Harold Wilson's Government who introduced the Referendum Act 1975.

Ms Hewitt: I am afraid that the hon. Gentleman is wrong; I did not say that. I said that I had supported a referendum on the constitution, but that, for all the reasons given both inside and outside the House, I do not support a referendum on this treaty. I believe that the hon. Gentleman recently said that the campaign in favour of a referendum, in which he was so prominent,

"failed to rouse anything more than a minor public interest in the impact that this treaty will have...The effective opposition to this treaty does not look good".

If the hon. Gentleman did say that, he was certainly right. Despite his efforts and those of the rest of the Conservative party, including its Front Benchers, and despite the concerted day-in, day-out efforts of Telegraph Group newspapers and others, the number of signatories to the petition calling for a referendum on the treaty has been woefully low—considerably lower than the number on the petition for a referendum on the Maastricht treaty, in which the hon. Gentleman was also involved.

Mr. Cash: We got more than 500,000 signatures on the petition for a Maastricht referendum. A great deal of the problem with this petition has been that these debates and the arguments have not been fully reported by the media, including the BBC—*[Interruption.]* That is absolutely true. There has been a lot of talk in here, but very little of it has been reported outside.

Ms Hewitt: That is a pretty desperate argument, given that for months on end Telegraph Group newspapers have misreported what has been going on in the European Union; that is also true of many other newspapers. I remind the hon. Gentleman of the fact that when *The Sun* published pages of anti-European diatribe during last year's Labour party conference, its readership fell dramatically.

Mr. Chaytor: Is not the real issue the fact that after 12 days of debate on the treaty, the official Opposition have not been able to explain how the reduction in the number of Commissioners, the changes to the rotating presidency or any other of the organisational changes are in any way constitutional issues more important than the decision to promote the single currency, establish the single market or join the European Union in the first place? That is why there are so few signatures on the petition; that is why the Conservative party has lost the argument.

Ms Hewitt: My hon. Friend is absolutely right. As I listened to the concluding remarks of the right hon. Member for Richmond, Yorks, I felt that they were the comments of someone who knows that he has lost not only the vote in this House but the argument as well. The reality is that the British Conservative party is now more isolated and isolationist than it has ever been. That is not what the British people want.

The majority who believe that membership of the European Union is good for Britain is even larger—significantly larger—than seven years ago. That is true among young people in particular. Three quarters of them support Britain's membership of the EU. They take our membership increasingly for granted, just as they take for granted all the benefits that flow from membership—particularly the fact that, as European citizens, we can all travel, study, work, live or retire in any part of the European Union.

As the Bill goes to another place, we—the majority of the House who so strongly support it—can look beyond the ratification of this treaty and look forward to a different kind of debate on Europe. I am thinking of a debate dominated not by questions of institutional reform, but by the real challenges that face our world. As we have heard so often in these debates, those can be tackled effectively only if we work with our partners in the EU.

The challenges include climate change, international terrorism and international crime. They include our global competitiveness on the one hand and how we end global poverty on the other. The immense challenge is how different nations, tribes and faiths can live together safely and sustainably on our planet. Those are the issues that our constituents care about; they expect us to deal with them—in this Parliament, internationally and through our membership of the European Union.

Mr. Sheerman: Is my right hon. Friend aware of how many letters I, as Chairman of the Children, Schools and Families Committee, have received from leading members of major children's charities, saying that it is only our membership of the European Union and the changes in the Lisbon treaty that will enable them to fight child poverty across Europe?

Ms Hewitt: My hon. Friend makes a very important point. Like him, I strongly welcome the specific reference to children's rights in the new treaty.

Let me conclude by addressing my remarks specifically to my right hon. Friends on the Government Front Bench. I do not believe—I say this in a spirit of self-criticism—that we have done enough as a Government over the past 10 years to make the case for Britain in Europe or to challenge the nonsense fed by so much of our press to the British people. I say that in a spirit of genuine self-criticism as someone who was one of the staunchest pro-European members of Tony Blair's Cabinet. With the ratification of this treaty, however, I believe that we have a great opportunity to open a new chapter in Britain's membership of the European Union, to explain more effectively to our constituents why we are tackling certain issues through the EU and to strengthen even further the relationships and friendships with our European partners within this Union, which have served us so well over the past 10 years and enabled us to shape so much of European policy in a way that is right not only for our country but for Europe as a whole.

Mr. MacShane *rose—*

Ms Hewitt: I give way to a very close friend and an excellent former Minister for Europe.

Mr. MacShane: I am grateful to my right hon. Friend. Does she recall that in the closing part of Mrs. Thatcher's Government, when Britain was promoting a single market under the so-called "Are EU Ready?" campaign, £25 million of Government money was spent on information to put across a true message about Europe? Does she also recall that when she and I were in government, my budget was cut to £200,000 and that when I came to a distinguished Secretary of State for Trade and Industry and asked for a little more money to help, I was, alas, sent away empty handed?

Ms Hewitt: I am afraid that my right hon. Friend is quite right about that, but he will also remember that I was working with him to champion the cause of Britain in Europe to most of our global business leaders and that I was seeking to prioritise my budget on science and innovation, which I know my right hon. Friend also supports.

At this point, as we look to enactment of the Bill and as we become one of the first member states to ratify this important treaty, I believe that there is an opportunity for our Government. I have no doubt at all that my right hon. Friend the Prime Minister and his ministerial colleagues will seize that opportunity in a way that will do nothing but good for our country and for the European Union as a whole.

5.28 pm

Mr. Edward Davey (Kingston and Surbiton) (LD): I agree with much of the substance of what the right hon. Member for Leicester, West (Ms Hewitt) has said, but if she is practising for an interview in Brussels, she will need to spice up her style. I hope that I will not ruin her chances of becoming the UK's next EU Commissioner if I say that we would welcome her appointment, as we would welcome the by-election that followed it.

Although many of us have complained about the amount of time in which to debate the Bill and the treaty, I was slightly concerned by the exchange between the Foreign Secretary and the right hon. Member for Richmond, Yorks (Mr. Hague), particularly when they mused on how wonderful these debates are and mentioned the idea of having an annual reunion. Irrespective of whether such a reunion should take place here or in Lisbon, I would not vote for it.

The case for the Lisbon treaty becomes stronger and stronger the more one studies and debates the text. Despite the restrictions on time, it has become crystal clear during our debates that the treaty is sensible and modest, as the right hon. Member for Leicester, West has said. Perhaps most significantly, it contains many reforms of the EU that the critics of Europe have long called for.

With the EU enlarging so successfully—all parties in the House have argued for that over time—it is time to reform how the institutions of the EU work, which is what the treaty does. Such reform does not involve a new, significant transfer of powers, as some have alleged. It simply involves making the existing arrangements work better, so that the EU is fit for purpose and can be ever more successful. That is what the anti-Europeans do not like. Nothing upsets the Europhobes more than the idea that some of the widely acknowledged problems of the EU might be tackled.

Mr. MacNeil: If the hon. Gentleman is so sure of his case, why did he run from giving the people a referendum?

Mr. Davey: I do not know whether the hon. Gentleman voted against our proposal to debate and vote on a referendum on Britain's membership of the EU. I bet he voted with the Tories and Labour to try to gag that debate.

It is particularly interesting to compare comments on the Lisbon treaty with past criticisms of Europe. Take, for example, the Conservative amendment tabled for the Second Reading debate on the previous European treaty, the treaty of Nice. The Conservatives opposed that treaty because, according to their amendment,

"it fails to modernise the institutions and policies of the European Union to meet the requirements of a diverse, enlarged Union".—[*Official Report*, 4 July 2001; Vol. 371, c. 273.]

Perhaps that is still some people's argument, but those who argue that should probably be carted off by the men in white coats. However, if another set of reforms would

"modernise the institutions and policies of the European Union",

we have not heard about that alternative agenda.

Throughout our debates, we have not had a positive alternative set of EU reforms from the Conservatives—not a single idea. Silence on an alternative Conservative approach and silence on whom the Conservatives might talk to elsewhere in Europe about ideas for EU reform, which they do not have. They are bereft of ideas and bereft of allies.

Mr. Cash *rose—*

Mr. Davey: I give way to the hon. Gentleman, because he has some ideas for reform.

Mr. Cash: I make no apology for saying that I would prefer an association of nation states.

Does the hon. Gentleman not accept that to achieve economic competitiveness of the kind that my right hon. Friend the Member for Witney (Mr. Cameron), the leader of the Conservative party, is putting forward, we will need to proceed along a line that ensures, through some form of renegotiation, that we get ourselves out of the mess that the Lisbon agenda is in at the moment?

Mr. Davey: That is very interesting, as the Foreign Secretary is saying from a sedentary position. As we know from these debates, the hon. Member for Stone (Mr. Cash) is increasingly at the centre of the Conservative party. Perhaps it is now the Conservative party position to renegotiate. We have not heard about that, but, as the right hon. Member for Richmond, Yorks said of us, I am coming to him later.

Mr. Sheerman: The hon. Gentleman has mentioned the men in white coats. Is it not the case that many people out there have been put off these debates because it is clear to those who observe proceedings in the Chamber—I was able to attend the debates on only three days—that the lunatics have taken over the asylum?

Mr. Davey: I hope that I am not out of order in totally agreeing with the hon. Gentleman.

What about the other criticisms of Europe? Are they dealt with by the Lisbon treaty? Let us look at the 1997 Conservative manifesto. It complained that Europe was doing too much and pledged to incorporate

"the principle of subsidiarity into the Treaty."

That meant the treaty of Amsterdam. That treaty put the principle of subsidiarity into a protocol, but the treaty of Lisbon puts it into the text of the treaties. However, we have heard nothing about that from the Conservatives.

For many years, my party and I have had a complaint about the EU on the common agricultural policy. There have been times when pro-Europeans such as me have despaired of the EU with respect to the CAP, but it is worth saying that the CAP of 2008 is far less damaging than the CAP of any previous period in the history of the European Community and the EU.

Let us be clear that more reform is needed, but the process has been going in the right direction. I welcome the Lisbon treaty, because it provides a new dynamic for CAP reform, namely greater democratic accountability and scrutiny, and increases the powers of the European Parliament in its relations with the Council of Ministers over law-making and budget setting. Many more areas of legislation and budget setting will now use the co-decision process, including CAP. For Liberal Democrats such as me who have complained about CAP and, indeed, about Europe's democratic deficit for many years, the Lisbon treaty addresses that point with real reforms. Interestingly, Conservative Front Benchers are against extra democracy going to the European Parliament. How very telling!

Let us take another past problem of the European Union—the fact that the Council of Ministers has always met in secret. Liberal Democrats have led the calls for that to be reformed, and the Lisbon treaty marks a big step forward on that, too. For the first time, the Council will meet in public when a new law is debated and approved. Of course, more should be done to tackle secrecy in this House, in Westminster, in Whitehall and in Brussels, but that is a real victory in the Lisbon treaty, and it should be noted.

There are many examples of similar improvements by which the anti-European foxes have been shot by the reforms—I would say that they are being massacred by them. Perhaps that explains why the British Conservatives have turned their backs on 26 other Conservative parties across Europe and taken up with the Dutch Party for the Animals.

Mr. Heathcoat-Amory: The hon. Gentleman says that the European Parliament is the democratic lever for Europe, and the European Parliament has got more powers in each successive treaty change. How, therefore, does he explain that in every single European Parliament election since 1979, the average turnout throughout Europe has fallen? People do not feel represented at European level. How does he explain that one?

Mr. Davey: I share the concern about falling turnout, but let us be clear: turnout is falling not only in elections to the European Parliament, but in elections to this House and to many local authorities, too. We should all be concerned about that as democrats, but it does not undermine the role of the European Parliament as a democratic forum. I would have thought that the right hon. Gentleman supported that.

Mr. Chaytor: Does the hon. Gentleman agree that it is profitable to look at the turnout in the municipal elections in France and in the general election in Spain, which were held on Sunday? The turnout on both occasions was significantly higher than the typical turnout in recent elections in the UK. Have we not got something to learn from the way in which other European countries encourage their electorates to participate in elections?

Mr. Davey: I absolutely agree. Liberal Democrats believe that it is useful to talk to and work with colleagues in other countries, because they often have good ideas, whether on elections—proportional representation, for example—the reform of education or health. Engaging with colleagues in Europe is a sensible thing to do for the people whom we come here to serve.

Let me list some of the other key reforms in the Lisbon treaty. For the first time, member states will have the right to leave the EU. For the first time, national Parliaments have been given a mechanism to call a halt to EU legislation. For the first time, ordinary European citizens will be able to petition the Commission to propose a draft law. For the first time, we have a European treaty that creates mechanisms for handing back power from the EU to the member states. Genuine Eurosceptics should be praising the treaty, not burying it. The fact that they do not back the reforms

that they used to call for reflects the reality that the vast majority of Eurosceptics are not genuinely sceptical but have a closed mind and are predetermined in their opposition to everything European.

The Lisbon treaty is not simply about calling the bluff of the anti-Europeans and exposing the shallowness of their position, beneficial though that is. The treaty also has many practical benefits for Britain and for Europe, as various experienced UK politicians have said:

"It contains measures which are essential to the operation of our foreign policy if it is to be amplified by partnership in the kind of world in which we live."—[*Official Report, House of Lords*, 7 November 2007; Vol. 696, c. 60.]

Those are the words of a distinguished former Foreign Secretary, Lord Howe. Other experienced Conservatives have discussed qualified majority voting, the issue that has so incensed some Conservative Members.

"As to the changes in voting rights, I hope people will realise that this amounts to an increase in the UK's share from 8.4 per cent. to 12.2 per cent. of the total vote. That is a matter of considerable significance and a wholly positive factor."

That was said by the former Conservative Cabinet Minister Lord Brittan. According to another former Conservative Foreign Secretary,

"the facts that the charter of fundamental rights will not be justiciable and that we will not be bound by justice and home affairs matters unless we so wish, are important."

Those are the words of the right hon. and learned Member for Kensington and Chelsea (Sir Malcolm Rifkind). There are many other benefits for Britain to which those experienced Conservatives could have drawn attention.

Mr. Peter Bone (Wellingborough) (Con): This is probably the last speech that the hon. Gentleman will make during this marathon debate on Europe. I congratulate him on the consistency and powerful energy that he has displayed in supporting a centralised European superstate with closer integration, but does it not concern him a little that when it came to a Division the Liberal Democrat party was so hopelessly divided?

Mr. Davey: I have been grateful to the hon. Gentleman throughout our debates, because he was one of the plucky six who voted against the Conservative line with us on 14 November and in favour of our proposal for an in-out referendum. However, his reading of the Lisbon treaty, which suggests that power is more centralised, is completely and utterly wrong. This is the first time that the principle of subsidiarity has appeared in the treaty wording.

Mr. David Heath (Somerton and Frome) (LD): My hon. Friend is right—the treaty makes important advances in terms of subsidiarity and the role of national Parliaments—but does he share my dismay at the fact that there is still not the slightest clarity about how the process will be translated into British parliamentary practice, and about how the House will be given the safeguards that the treaty affords it?

Mr. Davey: I agree, and I think it incumbent on the Government to spell out those safeguards, perhaps in the other place, and to work with other legislatures and Governments. That is the only way in which those powers can be given effect.

I want to discuss the other benefits of the Lisbon treaty for Britain. They include Britain's increased ability to protect our children from sex offenders—Lisbon allows member states to share information about convicted paedophiles—Britain's increased ability to tackle gun crime on our streets thanks to Lisbon's provision for closer co-operation in stopping gun trafficking and Britain's increased ability to counter drug trafficking and the exploitation of women by people traffickers thanks to other Lisbon provisions. Yet while experienced Conservatives welcome such measures, Conservative Front Benchers oppose them. They should be in no doubt that we will remind voters that the Conservatives voted against measures to catch sex offenders, to curb the illegal importation of drugs and guns and to tackle terrorism, which is how out of touch they have become with the modern world.

Mr. Harper: Will the hon. Gentleman tell us what measures currently exist that prohibit European Governments from sharing information on convicted sex offenders?

Mr. Davey: If the hon. Gentleman had read the treaty, he would know that some of the issues that I have described are currently dealt with through qualified majority voting, which means that one member state can prevent the adoption of sensible measures to tackle them. If he has not grasped that yet, he has not grasped a point that is fundamental to how the European Union works and some of the problems with which the treaty deals.

What has really struck me during our debates has been the utter failure of the treaty's Conservative opponents to give any example of the transfer by the treaty of significant powers and competences from the United Kingdom to Brussels. Despite all the usual guff about the surrender of British sovereignty, concrete examples have come there none. There are examples that the Conservatives could have given, but they have not drawn our attention to them, because those examples do not really help their case.

Although there are absolutely no new transfers of power to the EU whereby the EU would have exclusive competence, there are two areas of power transfer where there will be shared competence between member states and the EU—energy and space. It makes sense for EU member states to have the ability to work together closely on energy policy, given the need to liberalise energy markets, to protect energy supply and to work together on new technologies such as renewables. I cannot believe that the Conservatives want a UK-only space policy so badly that they would oppose joint EU working on space.

Mr. Lilley: As the hon. Gentleman knows, the treaty gives the power to make energy policy under majority voting except in matters affecting conditions of exploitation, so it gives power to the EU on majority voting over the allocation of energy resources. Does he think that that is a good deal, given that we are the only country with energy resources to be allocated?

Mr. Davey: That argument was completely destroyed in our debates in this House on energy, and the Foreign Secretary has dealt with it in his response, so the right hon. Gentleman is completely wrong.

[Mr. Davey]

There are other areas where Lisbon allows the EU for the first time to provide support and co-ordination in respect of member states' own policies, but prevents the EU from leading. What areas will face that new EU onslaught, which will involve EU support for and co-operation with our own domestic policy? The answer is tourism and sport. That is what is so terrifying.

Paul Rowen (Rochdale) (LD): Is my hon. Friend aware that one of the additional provisions of the Lisbon treaty is that the EU institutions will become subject to the European convention on human rights? While Britain and many other member states are subject to that, the EU and its institutions are not, but under the Lisbon treaty they will be.

Mr. Davey: My hon. Friend is right, and that is another example why the Lisbon treaty is a good thing. The EU institutions should be subject to control, checks and accountability. Interestingly, Conservative Members do not like that.

To be fair to Conservative Members, however, the biggest misrepresentation of the Lisbon treaty has come from the misnamed Democracy Movement—the leaflet that it has been sending out contains so few facts that it should be entered for the Man Booker prize for fiction. The leaflet focuses on five areas in its attempt to alarm and mislead people. Its first charge is that Britain's voting strength will be cut by a third. As I have said, our voting share will increase by almost 50 per cent. The Democracy Movement also says that the control of Brussels is being extended over our criminal justice system. There is no mention of the UK opt-ins—our ability to veto any extension of joint working to tackle crime, if we so choose—and there is no mention that co-operation on criminal justice is restricted to cross-border issues, such as beating international organised crime and tackling the international trade in drugs, guns and people, which one would have thought supporters of the Democracy Movement would favour.

Mr. MacShane: Will the hon. Gentleman confirm that all those words are in very small print, whereas the picture of myself is rather large and handsome? Many of my constituents in Rotherham have asked me how much it cost under the Commons communications allowance to distribute my picture all over my constituency.

Mr. Davey: I have not been to Rotherham recently, but I would be happy to receive a copy of that leaflet and to comment on it. What I am commenting on now, however, is the fine detail.

The third charge made by the Democracy Movement in the leaflet is that Lisbon creates a president and a Foreign Minister for the EU. As our debates have shown, that is also untrue. The proposal that the existing presidency of the European Council should change from a six-month rotation to a more permanent two-and-a-half year position means that such a president will not be created and that there will be no president of the EU who is akin to a US President. As for the lie that a Foreign Minister is being created, the fact that the EU has no foreign policy on anything unless and until 27 real Foreign Ministers from all member states unanimously agree shows what nonsense that charge is.

The fourth myth is that the legal personality provision is a threat to sovereignty. Such a provision exists for the European Community and has done for years, just as it exists for many organisations, from golf clubs to the Universal Postal Union.

The Democracy Movement's final argument to scare voters is on the so-called passerelle clauses and the provision for future treaty amendments. Once again, it does not mention the triple lock of the Council, the European Parliament and national Parliaments or the fact that under the proposals the UK can veto any proposed treaty amendment at any time. I, like the right hon. Member for Richmond, Yorks, think that we could have gone further, but the Democracy Movement did not mention the triple lock.

Mr. Cash: On a point of order, Madam Deputy Speaker. I am sure that the Democracy Movement would be extremely glad to know that it is getting so much free publicity, but how can that matter possibly be applicable to this debate, particularly given that the stream of assertions being made does not relate to any political party? I am completely mystified as to what the hon. Gentleman thinks that he is up to.

Madam Deputy Speaker: The hon. Gentleman's comments are, in fact, a matter for debate.

Mr. Davey: What ought to be most shocking for the Democracy Movement's supporters, who have supported a referendum on Britain's membership of the European Union in the past, is that its leaflet makes no mention of the Liberal Democrats' support for such a referendum and the fact that we have been opposed and gagged by the Conservative and Labour parties.

Once we strip away the myths about the treaty and examine its real benefits, there is no other credible position to take tonight than to vote for it. Of course, the Conservatives will vote against it, as we have heard, but their position raises interesting questions about their future European policy. As the Foreign Secretary has asked, what will they do once the Lisbon treaty is ratified? That question could dominate the 2009 European elections, by which time the Lisbon treaty will have been ratified. I cannot imagine the UK Independence party missing a trick; UKIP will harry every Conservative European parliamentary candidate, probably armed with white handkerchiefs, accusing the Conservatives of surrender.

The Conservatives' position on their future referendum policy is delphic. Let us remind ourselves of it. The line from the right hon. Members for Witney (Mr. Cameron) and for Richmond, Yorks is:

"We will not let matters rest".

That is stirring stuff for an election fight with UKIP—

Madam Deputy Speaker: Order. I think that the hon. Gentleman really ought to be relating his remarks—perhaps his concluding remarks—to the Third Reading.

Mr. Davey: I want to talk about what we will do following ratification and the process of this Bill. I am concerned for the Conservatives, because their position is not clear. It is important to examine that position.

Madam Deputy Speaker: As I have said, a number of hon. Members want to contribute to this debate, so perhaps the hon. Gentleman's remarks can be related rather more to the treaty and the Bill.

Mr. Davey: I shall certainly relate my remarks to the Bill. I hope that the Conservatives will tell us what "not letting matters rest" actually means. The right hon. Member for Richmond, Yorks warned about the euro when he was their commander-in-chief before the 2001 election, but I cannot imagine his saying, "Ten days to save matters from resting".

Rob Marris: I wonder whether the hon. Gentleman will, in a sense, invert his comments. In the unlikely event that the Conservatives get their way tonight, it would be the end of the Lisbon treaty. The United Kingdom and the other 26 member states would have no Lisbon treaty, and there would have to be either a renegotiation or the status quo ante. The Conservative party cannot provide any evidence to suggest that if we were to kybosh the Lisbon treaty tonight, we could get a better deal, yet it says that the status quo ante is unacceptable. Does he agree that that is a hollow position and that the House should not follow it tonight?

Mr. Davey: I agree absolutely. We have had debates about a referendum, but let us imagine what would happen if the country were to vote no in a referendum. What would a fantasy Conservative Government do in that situation? They would doubtless sit down with parties that think like they do—Sinn Fein, the Dutch Party for the Animals and the Italian Northern League—to hammer out an alternative vision and put it to European Governments. They would then try to work out whether they could hammer out a renegotiated settlement, but other Ministers and Governments in Europe would look on that approach with disdain. A policy of renegotiation would unsettle British business, the City and investment, and it would make a future Conservative Government a laughing stock not only in Europe's capitals, but in Washington, Moscow, Tokyo and Beijing.

What is the real meaning of "not let matters rest". I believe it to mean that the Conservatives will let matters rest, keep quiet and hope that no one has noticed. That is almost certainly what they will do. I confidently predict that after this Bill goes through the House, the Conservatives will abandon their commitment to a treaty referendum as soon as they think it safe to do so, just as they did over the Amsterdam and Nice treaties—so much for their principles and pledges.

The truth on Europe is that there are three Conservative parties—the party of the right hon. and learned Member for Rushcliffe (Mr. Clarke), the party of the hon. Member for Stone and somewhere keeping their heads down the massed ranks of the party of the right hon. Member for Witney. The policy of not letting matters rest is about the only thing on which they agree.

The Liberal Democrats will not let matters rest, but, unlike the Conservatives, we have moved on and have a clear future policy, which is to give the people a vote on whether Britain should remain in the EU based on the treaties, including the Lisbon treaty.

Madam Deputy Speaker: Order. May I remind the hon. Gentleman that on Third Reading we are debating what is in the Bill?

Mr. Davey: You will be pleased to learn that I am about to finish, Madam Deputy Speaker. *[Interruption.]* I am not surprised that Conservative Members are glad that I am about to finish, because we have been giving them as good as we get. Liberal Democrats believe that the European Union has been, is and will be of huge benefit to this country and to our world. In voting for the Bill tonight, we are ready to take on all comers in the cause of defending Britain's national interest—being in Europe.

5.57 pm

Keith Vaz (Leicester, East) (Lab): It is always a pleasure to follow the hon. Member for Kingston and Surbiton (Mr. Davey). I could say that I agreed with everything he said and just sit down, but I have been waiting to participate in these debates for some time and I am pleased to be able to contribute on Third Reading.

I want to begin by paying tribute to the Foreign Secretary and the Minister for Europe for their work over the past three weeks. I served in the latter post in the early part of the Administration, so I know how difficult it is to ensure that enough time is available to do the serious job that my hon. Friend must do of going to Europe to build up relationships with our partners in the EU and beyond. The last three weeks must have played havoc with his diary, but he has been here, he has been assiduous and he has answered all the points that have been raised. We all ought to thank him for what he has done.

We should also thank the Foreign Secretary, who has been placed in a similar position. He has just left the Chamber to talk to the shadow Foreign Secretary, but he, too, has been present during these debates. When the House thinks of the huge number of current international issues that are important to our interests, my right hon. Friend's participation in these debates over the past three weeks has been extremely welcome. I thank both Ministers for what they have done.

The shadow Foreign Secretary has just left the Chamber, but the Liberal Democrats' shadow Foreign Secretary raised a number of points about Conservative party policy. I have to say that, a few months ago, I was very much in favour of having a referendum on whether we should be in or out of Europe. I went on record as saying so last summer. I was in favour of an all-singing, all-dancing referendum on our membership of the European Union because I was fed up with the drip, drip of Euroscepticism. I felt that it was the only way in which we could properly explore the issue of being in the European Union. Then I met and spoke to the Foreign Secretary, who convinced me that—*[Laughter.]* It was not in a darkened corner, it was a proper discussion. I was concerned and felt that we as a Government were in danger of losing our moral high ground on European issues. I felt that the only way to re-energise us was to have an all-singing, all-dancing referendum.

Mr. Cash *rose—*

Keith Vaz: I am sure that the hon. Gentleman would have taken part.

Mr. Cash: Will the right hon. Gentleman reflect on the fact that he played a good part in the European reform forum discussions, and is on record as having said that the EU needs reform? There was enormous agreement on the basic principles among those on all sides of that debate. Will he be a little more careful about what he says about Euroscepticism? We are not anti-European, we are actually pro-European.

Keith Vaz: I am delighted to hear that the hon. Gentleman, whose beliefs on Europe are sincere, is so much in favour of the reform of the EU, because that is precisely what the Lisbon treaty will do. It will help the reform process in a most important way.

I was convinced by the Foreign Secretary, who said that a much better course of action than having a referendum was to be able to come to the Floor of the House day after day and debate the crucial matters that will affect the future of Europe and of this country. Having listened to the debates in the past three weeks, I must say that he was absolutely right. I know what would have happened in a referendum campaign: it would have been totally hijacked, not just by those who do not support the basis of our membership of the EU but by the Eurosceptic media, which would have destroyed the nature of the referendum campaign.

I am glad that I was convinced by the Foreign Secretary and that we have had three splendid weeks to discuss the relevant issues. Where else would I have heard the early life history of my right hon. Friend the Member for Leicester, West (Ms Hewitt), a woman whom I have known for 25 years? There have been times when I have thought that she was genetically modified, because she has been such a perfect Minister and Member of Parliament. Then I heard about her previous life and found that she is just as human as the rest of us. It was great to hear about her early career. She, too, has been assiduous in these debates. In response to a couple of Opposition Members, if she is to be our next European Commissioner, I say hooray for that. She would be an absolutely perfect person for the job, although she would be missed greatly in Leicester, West, and of course there is no vacancy.

Ms Hewitt: Does my right hon. Friend agree that over the years, we have learned not to believe most of what we read in the British press?

Keith Vaz: Absolutely. My right hon. Friend and I both know that to be the case. I am pleased that there is no vacancy, that she is still here and that we will meet each other on Friday when we go back to Leicester.

Why is the Lisbon treaty important? It is because we cannot have the rules and regulations for a Europe of 15 for a Europe of 27. That is absolutely impossible. The hon. Member for Kingston and Surbiton is right that Opposition Members call for referendums on every treaty. It is their mantra. They wanted a referendum on Nice, even though that would have blocked the enlargement of the EU, which has been essential to the success of the European project.

Mr. Stewart Jackson (Peterborough) (Con): I am sorry to break up the right hon. Gentleman's love-in with his constituency neighbour, the right hon. Member for Leicester, West (Ms Hewitt). I am sure that he would not want the House to infer from his comments that when he told the voters of Leicester, East, in May 2005 that a referendum was very important to decide our European destiny, they were intelligent enough to understand the issues involved, but that two and a half years on, they are too stupid and would be too influenced by the wicked print and broadcast media, and that he is therefore reneging on the solemn promise that he made to his electors in May 2005.

Keith Vaz: I did not say that to the electors. What was proposed then was a referendum on the constitution. What the House is discussing is not a constitution but a treaty, and it contains the very reforms that the hon. Member for Stone (Mr. Cash) correctly said that I spoke about when I addressed his forum as Minister for Europe. It is essential that a dynamic institution such as the EU should develop. Its enlargement means that there must be changes to how it operates; to make it more efficient and effective. That is why we have the treaty.

Mr. Harper: Given the Foreign Secretary's clearly masterful powers of persuasion—we know that it is difficult to persuade the right hon. Gentleman to change course—why does he think the Foreign Secretary has not been able to persuade the British public that the constitution and the Lisbon treaty are different? About 90 per cent. of them think that they are broadly the same.

Keith Vaz: That is an important point. The Foreign Secretary has probably not been able to convince the tabloids that there is a difference between the constitution and the treaty, but I think that he has convinced the British people. The problem that we have in the debate about Europe is the tabloids. The *Daily Mail*, *The Sun* and the other tabloid newspapers, apart from the *Daily Mirror*, are absolutely against anything European. It is therefore vital that we have a debate with the British people, as we have been able to.

Mr. MacNeil: Maybe the right hon. Gentleman gives too much credence to the power of the tabloids. He should think back to May 2007 when, without the support of any newspaper, the Scottish National party won the election in Scotland.

Keith Vaz: That is very helpful. I hope that, if there is a debate, we will have the support of the SNP's spin doctors. Perhaps they will be able to assist. For the time being, we have a treaty that will make a real difference to how the EU operates. I shall give two examples of that, the first of which relates to justice and home affairs.

I had the privilege of being at the initial Tampere negotiations, which took place in Finland under the Finnish presidency in 1999. When we began the Tampere process, which became the Hague 2 process, we decided that the only way that we could combat major crime problems such as serious organised crime and human trafficking was to co-operate with our European partners. That co-operation is essential. Without co-operation through organisations such as Europol and Eurojust, we will never be able to deal with the people who perpetrate organised crime or with the real problems of immigration.

The British people are worried not about legal immigration but about illegal immigration. Like other right hon. and hon. Members, I have seen pictures and read stories about how people are exploited by those who bring them in gangs from places such as Moldova. I recently saw a DVD about someone who was brought here from the Punjab and told that they would have a better life in the UK. They were brought from the Punjab to Bucharest, then to Moldova, Moscow, Albania and Amsterdam, and then to the UK. The only way that we can combat the illegal movement of people is through co-operation with our European partners.

Mr. Lilley *rose—*

Keith Vaz: Surely the right hon. Gentleman is not against that.

Mr. Lilley: The right hon. Gentleman is making a cogent and coherent argument; such arguments have been rare from the Labour Benches. Does he accept that although it is always difficult to stop illegal immigration, it is less difficult for an island? The treaty says that we cannot have any internal border controls or any controls on movement through our ports and airports, and that we have to rely instead on the much more porous borders at the other edge of Europe. Does that not make it more difficult, rather than easier, to control illegal immigration?

Keith Vaz: I am not sure that that is actually what the treaty says. However, if people are determined to travel all the way from Amritsar to Amersham via all those other countries, we need the co-operation of our European partners in order to prevent that from happening. It is no good for us to feel that because we are an island we should let the rest of Europe get on and do what they are doing. We need the co-operation of the French in particular if we are to stop illegal immigration. That is why the treaty is so important and why it is so important that we should look at the mechanisms through which the EU operates.

I agree with right hon. and hon. Members from both sides of the House when they say that it is really important that Europe can grow up with its population—its population has been running ahead of it. People are concerned about the way in which some aspects of the bureaucracy in Brussels operate. Anyone who has served as a Minister, whether they were a Conservative Minister or a Labour Minister, will know how difficult it is sometimes to deal with that. The treaty seeks to give more power to those countries that can co-operate, for example on QMV. Maastricht extended QMV. If hon. Members look at the figures on the application of QMV, they will find that when it is used in the European Council, the UK is on the winning side 90 per cent. of the time. That means that the rest of Europe is following our agenda.

When Labour first came into power in 1997, we were on the fringes of Europe. Because of the actions of this Government over the past 10 years, we lead the agenda in Europe. People listen to and have enormous respect for what the British Government say when they speak at European Council meetings. If we reject the treaty, we will throw that respect and influence away, and that would be totally wrong.

Mr. MacNeil: I hear what the right hon. Gentleman is saying about respect and leadership, but is he seriously telling us that since we went into Iraq five years ago respect in the EU for the UK has been enhanced?

Keith Vaz: Absolutely. In 1997, this country was on the fringes of Europe. We were not even consulted on issues. We were put on the sidelines because of the strong relationship between France and Germany. It is simply not possible in a Europe of 27 for France and Germany to run the EU. Many of the countries that have come in, such as Poland, Romania, and Bulgaria—all the eastern and central European countries—look to the UK as their champion. We are the champion of enlargement and we led the enlargement process.

Mr. Clappison: The right hon. Gentleman is making a sincere and well-argued speech. However, is not the credibility of what he says shot down on both counts—on the transparency of the EU and on the Franco-German relationship—by the way in which the treaty came into being? It was railroaded through by the German presidency and all the other countries were kept in the dark, allegedly until 48 hours before the convening of the intergovernmental conference?

Keith Vaz: I have huge respect for the hon. Gentleman as a fellow member of the Select Committee on Home Affairs. I know that he thinks very carefully about these issues. We cannot sit on the sidelines. We have to influence what is happening. We cannot allow this huge, monolithic body, which has 27 members and affects 500 million people, to be run by rules and regulations that were invented 30 years ago. The whole thing would grind to a halt. Enlargement has meant that we need the treaty.

As for the charter of fundamental rights, let me tell Opposition Members that it was negotiated for our country by Lord Goldsmith. At the start of the negotiations, he was on his own, but by the end of the negotiations, he had convinced all the other European countries that the agenda proposed by the UK was the one that needed to be followed. As we all know, the charter does not extend the laws of this country one iota. What is the fear about having such a statement of the values to which we as members of the European Community need to subscribe?

Europe is changing. An example of that is the Lisbon agenda, which was mentioned by the hon. Member for Stone—although it might have been a slip of the tongue. The Lisbon agenda was supported, I think, by Members on both sides of the House. In 2000, for the first time, economic progress and the operation of the single European market was benchmarked—

Mr. Cash: It was a failure.

Keith Vaz: It was not a failure. It set benchmarks for the first time, so the Eurocrats do not just make decisions and hope that everything will work. For the first time, sovereign states came together, sat in the European Council and said that they would benchmark their achievements. We have done extremely well as far as the Lisbon agenda is concerned. Of course, we have had a mid-term report. When it has been 10 years since Lisbon was agreed, which it will be in only two years' time, we will see whether we have reached those benchmarks that were set out.

[Keith Vaz]

I am confident about the treaty. I believe that it was the right thing for the Government to do and I congratulate them on the way in which they have progressed. Let me end with a point that was made by the hon. Member for Kingston and Surbiton and my dear friend, the right hon. Member for Leicester, West. It is not sufficient for the Government merely to say that they are in favour of the EU and that they are campaigning on all the great aspects of the treaty. They have to go out and make the case; otherwise, it is left to the editor of *The Sun*—great person though she is—and the editor of the *Daily Mail* to run the agenda for Europe. That would be wrong. We have tried this in various ways in the past. I know that the Minister for Europe has been very busy at the Dispatch Box, but when he finishes his tour of duty in putting the Bill through Parliament, I hope that he will have the time to go to the towns and cities of this country to explain the benefits of being in the EU. The Government are committed to explaining not only the concept but our practical relationship and the real benefits that we enjoy.

Millions of British citizens go to mainland Europe every single year. To say suddenly that they should not do that because Europe is bad is the wrong approach. I do not know why Opposition Members do not join us in our crusade to go out to the British people and to talk positively and constructively about the benefits. Even Opposition Members must understand that there have been benefits from our joining the EU. Surely one of them must understand; surely they must feel that at least one thing has benefited the British people. Perhaps that one thing is the 3 million jobs that have been created, the fact that we have peace and security in Europe, or the fact that we can co-operate on a range of issues to tackle the justice and home affairs agenda. Those are just three examples; I can think of hundreds more.

In the quiet of the night, after hon. Members have gone home and realised that all their posturing has not stopped the Bill from going through the House of Commons, they will realise how much the EU has benefited Britain. I am happy to have spoken in this debate, and I hope that the Bill will be carried with a huge majority tonight.

6.19 pm

Mr. William Cash (Stone) (Con): I am glad to follow the right hon. Member for Leicester, East (Keith Vaz), because for many years he and I have carried on conversation, dialogue and argument on this subject. As I pointed out in an intervention, he took part in the European forum, which we set up, chaired by Lord Waddington. The right hon. Member for Leicester, East gave evidence to us, as did the right hon. Member for Rotherham (Mr. MacShane) and Will Hutton. People from all sides of the political debate discussed as objectively as possible the question of where we were going on Europe. The proceedings were published and have been acknowledged as a significant contribution to trying to find common ground on the direction of European reform. The problem is this treaty.

The treaty is the product not of the people who came to the European reform forum but of people in the unelected enclaves of the European Commission—the people who are not listening. They are not listening to the vote in France and Holland or to the people in this country. They are breaking promises. They have produced a treaty deliberately written, we are told, by "a leader" so that it is unreadable.

The treaty is not merely unreadable, it is undecipherable, which is where the problem lies for those of us who are not intimately connected with this matter. I pay tribute again to the hon. Member for Linlithgow and East Falkirk (Michael Connarty), the excellent Chairman of our European Scrutiny Committee. Anybody who has tried to read the dense material in the treaty should ask themselves whether the man in the street—given the impact of the document on his daily life—could possibly be expected to understand what it is all about. Passerelles, subsidiarity, constitutional concepts: it is unbelievable that such a document should be the ruling document of the people of this country for the indefinite future.

Let us compare the treaty to the simple language of the American constitution. In far less space and with far fewer words—far less verbiage—it encapsulates ideas that have managed to carry that country from the day the constitution was signed. There have been some amendments, but not to the integral part of the constitution. In this country, we have had to revise treaties from time to time. Over the last 200 or 300 years, we have produced some immensely important treaties, and because we do not believe that they have to be set in concrete—indeed, we believe that they must not be—we have mechanisms in our constitutional arrangements for changing them.

In effect, the treaty encapsulated in the Bill and under the European Communities Act 1972 is set in concrete. It is meant to be in concrete, with the acquis communautaire and all those laws—the enormous tsunami invading our legal system and the principles of our constitutional Government and of the House of Commons—which superimpose on our system a Court of Justice with no right of appeal. Setting all those rules in concrete with no real renegotiation process is, in essence, undemocratic.

Mr. MacShane: From the hon. Gentleman's Jesuit education he will recall the tag, "Pacta sunt servanda"—treaties must be obeyed. I can give him one example of a treaty which, thank goodness, we have never sought to renegotiate, or allowed any other signatory to renegotiate—the treaty of Utrecht, which gives us sovereignty over Gibraltar. The hon. Gentleman should be careful; treaties need every signatory either to quit the treaty fully or to agree renegotiation. Treaties cannot be renegotiated unilaterally.

Mr. Cash: I am sorry to disappoint the right hon. Gentleman, because I am not about to give a dissertation on the Vienna convention. We have been obliged to abrogate hosts of treaties by force of circumstance. If a treaty is turned into a legal entity—an entity incapable of being reversed, according to the assertions of the Court of Justice, which is given the right of overall jurisdiction—we are caught and trapped in the past.

Mr. MacShane *rose—*

Mr. Cash: I cannot give way to the right hon. Gentleman again, as other people want to speak.

The point is that treaties have to be reversed from time to time, in whole or in part. The decision of Lord Denning, in McCarthy v. Smith, followed by Lord Diplock in Garland v. British Rail Engineering Ltd, clearly states the British Parliament's continuing right: it is unassailable constitutional law. With respect to the European Communities Act 1972 and the European treaty that is part of the treaty of Lisbon—the treaty of Rome and following treaties are all amalgamated with consolidation and amendments in the treaty of Lisbon—the British Parliament has the continuing right to override those provisions in whole or in part. The crucial words are

"or any provision in it",

meaning the treaty. As and when we decide that we want to renegotiate we have an unassailable right to do so as a matter of constitutional law and the case law that is at the very apex of our judicial system.

It is essential for us to understand that point, which is why my new clause 9, supported by 47 Members, and the reasoned amendment that I tabled for today, supported by a new set of Members, are so important. I was glad to hear my right hon. Friend the Member for Richmond, Yorks (Mr. Hague) say, in response to my intervention, that we needed a constitutional safeguard. I shall not go through all the arguments we made the other day, but it is imperative that we come up with clear, legally watertight wording that reflects those decisions, or we shall be unable to renegotiate, although we know we must—for example, on over-regulation. By Commissioner Verheugen's own admission, over-regulation costs European economies £100 billion a year—many billions to the British economy. We shall have to renegotiate the provisions, so we need a sound constitutional basis in our domestic law to enable us, where negotiations fail or falter, to tell other member states that we have reserved our position. The House should be in a position to tell other member states that we will renegotiate because we have retained the right to do so.

Without going through all the arguments again, I say only that the consequence of acceptance of the treaty is that the European Court of Justice and our courts will be determined to apply case law, because that is what declaration 17 says. It may be only a declaration but it will still be used, just like the working time provisions that were meant to be only a declaration. The courts will say, "You have accepted the constitutional assumptions on which the European Court has made its determinations." Those assumptions include—unequivocally, as is shown in cases such as Costa and Handelgesellschaft—the fact that national Parliaments and national constitutions are subject to the jurisdiction of the European Court of Justice. All the legislating we do in this place will be reduced—pulverised—by the significance of the case law of the ECJ where it chooses to exercise it. Because we have given away so many powers by handing over competences, we are reducing and draining away the powers of the House, but they are not ours to give away. It is not our House. It is not our Parliament. It belongs to the voters.

Churchill, speaking on this subject, said that Members' first duty was to their country, their second was to their constituents, and only in third place was their duty to their party's policy and programme. We Conservatives believe in that. I personally would like always to obey the Whip, and I have no problem whatever doing so in relation to the Bill. We have acted together. There have been one or two blips—the other night, for example—but that is not as important as the fact that we work together.

Michael Connarty: I will not take us back to Churchill, but the hon. Gentleman will recall that recently the European Court of Justice issued a judgment on a case in which a journalist's house was ransacked—

Mr. Cash: Tillack.

Michael Connarty: Tillack is the man, yes. He went to the European Court of Justice looking for justice, saying that his right to privacy had been breached, and he lost his case. He then went to the European Court of Human Rights, which awarded him €30,000 and expenses. The hon. Gentleman says that there is no appeal, but in such cases human rights are safeguarded by the European Court of Human Rights. If our citizens find that their rights have been breached by the European Court of Justice, they have recourse to another court.

Mr. Cash: That is a very interesting point. I do not want to spend the whole debate on this issue, but it is a fact that the European Court of Justice cannot be appealed against. Tillack went to a separate court. As it happens, we endorse in law the European Court of Human Rights in Strasbourg, but we retain the House's sovereignty over the Human Rights Act 1998. I do not want to go right into the Tillack case, but I simply make those points.

The treaty was conceived and born out of deceit. We know that because we members of the European Scrutiny Committee heard how it was bounced on our Foreign Secretary. On the way in which the treaty was conceived, and born out of the German Government's presidency, I say:

"Treason doth never prosper: what's the reason?
Why, if it prosper, none dare call it treason."

The fact is that the treaty is being ratified, and if the Bill is successfully enacted, nobody will be able to turn around and claim that it is treason, because we, as citizens, will all be bound under the treaty. It is not merely a question of whether our constituents will be adversely affected, although I believe that they will be. We are talking about much more than that; we will be made citizens of the European Union, with knobs on. That is another matter that ought to be of grave concern, but it has barely been touched on in our debates.

I must say that the issue has not been properly reported outside the House. I do not need to go into that again, as I have made the point on a number of occasions. Nobody really knows what the treaty is about, and that is partly because of its complexity, but, with great respect to some of my hon. Friends, it is also because we are told that we must not bang on about Europe. If I am to be accused of banging on about Europe, let me simply say this: I will not apologise, because if I am banging on about Europe, what I am really banging on about—those who are listening will

[Mr. Cash]

know what I mean—is the freedom of our voters to make decisions in general elections. I am talking about their daily lives. I am dealing with the questions that arise of whether they should be sent to war, whether they should be killed in Afghanistan, and whether we should have a proper relationship with NATO. I am also dealing with issues of over-regulation.

There is scarcely any area where the European Union has not taken over. There are still one or two, but they are getting so minuscule that I ask myself what on earth we in the House think we are doing by allowing the Bill to be passed, and the treaty with it. Is Parliament to be reduced, by references to banging on, simply to a forum for platitudes and perceptions? No. We are talking about the daily lives of our constituents and we have an absolute obligation—a duty—to go on about it. I would like anyone to challenge me on this question: by what right, and what duty, could anybody stop us saying what we need to say on behalf of our constituents?

Mr. Sheerman: Does the hon. Gentleman accept that, while some of us perhaps do not have his degree of arrogance, we believe that we represent our constituents well? We believe that the bulk of our constituents do not like some aspects of Europe because they are complex, bureaucratic and have the drawbacks that one would expect there to be when 27 countries are trying to make something work, but the fact is that they have had 60 years of peace, prosperity and the pursuit of happiness because of the European Union.

Mr. Cash: I would be a good deal more impressed if I thought that the Labour party was prepared to keep its promises on the referendum. Having said that, the question of whether the system works is extremely important, and I want to come to it in a moment. We are not talking about theoretical abstractions, or the theology of sovereignty. We are concerned with practical questions to do with the daily lives of our constituents. That is the acid test.

On the question of whether we are anti-European, I have been accused in these debates of being a Europhobe, and I should like to say a few things about that. First, I think that I may be entitled to say that my father was killed in Normandy, fighting against tyranny in Europe. Secondly, I have three grandchildren, one of whom is half Greek, and one of whom is half Spanish. Two of my children were married in France, and I have one daughter-in-law who is Italian, and am about to have another who is half Czech.

Hugh Bayley: My father and my grandfather gave the best part of their youth fighting in the second world war and the first world war respectively. They had to go to war because we in Britain were unable to control the actions of other European countries. Surely to goodness one of the benefits of a European Union has been to heal the rift between France and Germany—the rift in Europe—with the result that the hon. Gentleman's generation and mine have not had to fight a war in Europe, as our fathers and grandfathers had to.

Mr. Cash: I really do disagree with the hon. Gentleman. It is an important point, and I recognise that many people in the House had family who were involved in the second world war, but I make the point from the vantage point of being accused of being a Europhobe. I am simply pointing out that the House of Commons was, as de Gaulle said in 1960 when he came here, at the foundation of why he was able to go back to a free France. Actually it is NATO, not the European Union, that preserves peace and security in Europe, and I also say this to the hon. Gentleman: look at what is happening in Kosovo. I have to put those points, because they are extremely important. We engaged in a war with Japan, but nobody could honestly say that the fact that we emerged victorious had anything to do with the European Union.

Mr. Stewart Jackson: My hon. Friend is making a passionate, sincere case on behalf of his constituents, as always. He will be as disappointed as I am by the insulting, infantile level of debate on the part of Labour Members who are trying to justify the decision to ram through the treaty over the past few weeks. Does he agree that we are witnessing an embedding of the estrangement of a plutocratic elite, who want to create a united states of Europe as a political entity, from the people to whom they are meant to be answerable, just as he and other Members are answerable to the people?

Mr. Cash: I agree with that 100 per cent. It is a very important point, which we have to re-emphasise. The reality is that the system does not work; that is another problem. As I say, this is not just a matter of theory. The system has not, does not, and will not work. The right hon. Member for Leicester, East mentioned the Lisbon agenda. I will not go right into that issue, but the Lisbon agenda is not working. We in the European Scrutiny Committee have been given documents that show why it had to be kick-started again, and why it is not working. Will Hutton, who was the rapporteur to the Lisbon agenda, came to our Committee and said that he did not think it was working properly. There are huge sums of money involved and it is not effective.

We are creating a compression chamber, and it will not work. Divisions are re-emerging in Europe. Old tensions are re-emerging. There is protectionism at the heart of French policies. There are problems between the European Union and Kosovo, whose Parliament is standing out against the European Union. There are enormous strikes in Germany, which are barely reported, and 19 per cent. unemployment in the eastern part of Germany. The Spanish economy is faltering. NATO is under threat. Russia is reawakening. The Hungarian referendum the other day demonstrates the fact that there is not enough money to pay for the wishes of the people in that country. Fledgling democracies will not be given the money that they were expecting and will start turning against the European Union as it is currently constructed.

We must get ahead of the curve. The dangerous Europe that is being created is not fit for the present world economy. We have massive illegal immigration. Democracy is being undermined. We are living in an overcentralised, over-regulated Europe.

Mr. Sheerman: On a point of order, Mr. Deputy Speaker. The hon. Gentleman has had hours and hours over days and days to make speeches. This is the Third Reading of a Bill concerning the ratification of the treaty. I do not see that his present rant has anything to do with the ratification of the treaty.

Mr. Deputy Speaker (Sir Michael Lord): This is the Third Reading of a Bill that has very wide ramifications. If the hon. Member for Stone (Mr. Cash) were not in order, the Chair would have told him so.

Mr. Cash: I am extremely grateful, Mr. Deputy Speaker. I shall conclude by saying—

Mr. MacNeil: The hon. Gentleman mentioned referendums a moment ago. Is not the reality that only the Irish people can stop Lisbon? Rather than a Europhile lobby discouraging the Irish people from voting no, should we, across the parties in the House, be telling the Irish people that if we had the choice, we would have voted no in both Scotland and England? Perhaps the Irish people can do us the favour that the Dutch people and the French people did with the constitution.

Mr. Cash: I would certainly encourage that, as I did in relation to the Nice treaty. There was a no vote, but the rules were changed so that those supporting the no position were outdone by the amount of money that was then made available to the yes vote. I hope the Irish vote the right way.

We need the reaffirmation of the supremacy of Parliament.

Keith Vaz: I do not wish to interrupt the hon. Gentleman's peroration, but will he clarify one point? Is he saying that he was against the Nice treaty?

Mr. Cash: Emphatically so. I campaigned hard against it. I forget how many amendments I tabled, but certainly more than 100.

With regard to the Bill, the Government have been conducting an exercise in appeasement with the European Union. As my right hon. Friend the Member for Wells (Mr. Heathcoat-Amory), who was on the Convention, has pointed out over and over again—and he has the documents in the Chamber—the Government disagreed in the Convention but then appeased the rest of the European Union by going along with things that they did not agree with. He has made that case, and thereby performed a great service to the House of Commons and to the country.

It is essential that we have an association of nation states in order to be able to get out of the logjam—the impossible concrete construction that is being created. It will disintegrate, causing enormous trouble for the rest of Europe. A dangerous Europe is being created and it will crack like "The Fall of the House of Usher". It is completely inflexible and it needs to be changed. It can be changed only by renegotiation. In the words of John of Gaunt,

> "That England, that was wont to conquer others,
> Hath made a shameful conquest of itself."

He said that that had been done

> "With inky blots, and rotten parchment bonds"—

and that is what the treaty is.

6.44 pm

Mr. Denis MacShane (Rotherham) (Lab): I always enjoy the speeches of the hon. Member for Stone (Mr. Cash). He has been making largely the same case against Europe since the Maastricht treaty. I was not in the House then, but I heard similar speeches on the Amsterdam treaty, then on the Nice treaty. He is a man of integrity. He quoted John of Gaunt. I might quote the exchange between Hotspur and Glendower in "Henry IV", when Glendower says:

> "I can call spirits from the vasty deep"

and Hotspur says, yes,

> "But will they come when you do call for them?"

From the depths of his opposition to Europe the hon. Gentleman has over all my 14 years in Parliament—no doubt longer in his case—been sketching out the image of a Europe about to devour us, but of course it never happens. I gently and with some affection, as we are both interested in the subject, put to him that the treaty, if ratified tonight and then ratified in another place, will not so fundamentally alter our relationship with Europe. Europe, in the end, is organic; it is plastic; it is what we make it. He talked about a concrete straitjacket that was cracking like "The Fall of the House of Usher"—he was taking me down literary highways and byways where I could not follow him.

Europe is what the 27 sovereign national Governments decide to make it. The treaty of Lisbon—

Mr. MacNeil: The right hon. Gentleman is talking about the Governments. What about what the people want Europe to be?

Mr. MacShane: Whether the hon. Gentleman likes it or not, the House of Commons is democratically elected. I am fascinated to learn tonight that the Scottish National party seems to be throwing in its lot with the more nationalistic—if I may put it like that—wing of the English Conservative party. That is a marriage made on the green Benches but it will end up in a funny place. I do not believe that if the main Opposition party wants to govern the country sitting on the Government Benches it can have any truck with the lurid nationalism that the hon. Gentleman has just expressed.

Speaking for the Conservative party, the right hon. Member for Richmond, Yorks (Mr. Hague) said—obviously the quote will have to be checked in *Hansard* tomorrow, but I took a note—"We want to be in the European Union, but not with this treaty." I think I got him right in saying that. That of course is the eternal problem: everybody can dream of their perfect European Union. Many of our continental partners consider the Lisbon treaty to be written and made in Britain. They regard the present Commission as over-liberalising, over-Anglo Saxon, over-free trade. The European Union that they might wish for—more social, more environmental, more supranational—is not reflected in the treaty at all.

I invite hon. Members to read the foreign press—I might have suggested that they consult their sister parties in Europe, but we know that that is not on the agenda of the Conservative party—and they will find all the arguments going in a different direction. I must

[Mr. MacShane]

gently say to—I am tempted to call him my hon. Friend the Member for Stone—my honourable debating partner that every treaty implies the coming together and the sharing of some sovereignty between its signatory nations. If not, there would be no point in treaties.

Once they have been negotiated, signed and ratified, treaties exist until one of two things happen: either all the signatories agree to rewrite the treaty, or a party to that treaty, a ratifying member, simply quits. We have the sovereign power in the House of Commons. We do not need article 49 in the new treaty, which I find rather ill-written, in that it permits nations to leave the European Union. We can leave the European Union tomorrow by a vote of this House of Commons. France can leave the European Union tomorrow, so can Poland, so can Sweden, by a vote of their sovereign Parliaments. The real problem is that what the Conservatives want is not on offer. It is not on offer from the World Trade Organisation treaty, from our Spanish friends in the treaty of Utrecht, or from my left-wing friends in the North Atlantic treaty—the treaty that set up NATO. Treaties are about sharing some sovereignty for a greater good.

Mr. Stewart Jackson *rose—*

Mr. MacNeil *rose—*

Mr. MacShane: I had better give way first to a Conservative colleague, and then I will revert to the Scottish version of the English nationalists.

Mr. Jackson: I thank the right hon. Gentleman and pay tribute to the sincerity with which he holds his views, although I believe that he is more or less totally wrong in most of them. He makes a point about treaties. Will he explain how, for instance, the strategic arms limitation treaty between the Soviet Union and the United States in the 1970s led to a transfer of power from each to the other? They engaged in that treaty for their mutual benefit, which is what sovereign countries do and what treaties are about—they are not necessarily about the transfer of sovereign power.

Mr. MacShane: That treaty said to the Pentagon and to the bosses of the red army, "You can't do that which you've been doing up to now"—that is, continue building up their armed strength. It was a massive interference in the sovereign right of both nations to continue in that area. All treaties are like that.

Mr. MacNeil: Are not treaties something that we join and agree to be in together as opposed to something that we are forced to fit in with by compromising and doing what we do not want to do?

Mr. MacShane: The hon. Gentleman, like all Scottish nationalist Members during these debates since I have been in the House, has focused on the problem of fisheries. They have a point, but that was a concession made in 1972 that cannot be brought back without 26 other member states agreeing to it. However, we cannot unilaterally say that, for example, we do not want Ryanjet to land here because it is in competition with our national airline.

Mr. MacNeil *rose—*

Mr. MacShane: Let me finish my speech, and then there will be time for everybody else.

The hon. Member for Stone, who you rightly did not call to order, Mr. Deputy Speaker, said—I hope that I am not doing any injustice to his argument—that it was somehow treasonable to vote for the ratification of the treaty of Lisbon. Well, I hope that I am not a traitor to myself, my country, my party, my constituency or any of the other areas that he listed. Much of this rather lurid language does not help; it neither heats up nor illuminates.

We have had in our past distinguished Members of this House making this point. Here is the former Prime Minister, Clement Attlee, in 1960:

"I'm not very keen on the Common Market. After all, we beat Germany, and we beat Italy and we saved France, Belgium and Holland. I never see why we should go crawling to them."

That from a man who is a hero for many of us on my side of the House, but it is, frankly, a ghastly point of view. Alternatively, going to the heart of the point made by the hon. Member for Na h-Eileanan an Iar (Mr. MacNeil), here is Churchill speaking in this House in June 1950:

"we are prepared to consider, and if convinced to accept, the abrogation of national sovereignty".

He went on to say that

"national sovereignty is not inviolable, and...it may be—

safely—

"diminished for the sake of all the men in all the lands finding their way home together."—[*Official Report*, 27 June 1950; Vol. 476, c. 2159.]

I would argue that 27 European nation states are now trying to find their way to a 21st-century home together that was certainly not on offer when Churchill made that speech.

Mr. Cash: I would just add that in the Zurich speech Churchill said unequivocally that we should be associated but not absorbed.

Mr. MacShane: I think that the hon. Gentleman actually refers to an article that Churchill wrote in 1930. We can exchange Churchill quotes or biblical quotes, but it is—

Mr. Sheerman: Does my right hon. Friend agree that, compared with the period that Churchill and Attlee lived through, with the instability, the wars and the ghastly things that happened in Europe, during our lifetimes we have been much more successful, across parties, in helping to construct, by modifying Europe, building on it and changing it—yes, with different treaties—a Europe of peace and prosperity where people can pursue happiness?

Mr. MacShane: I entirely agree with my hon. Friend. I have spent 14 years debating these issues—my maiden speech was on Europe—and the more that I do so, the less I sense that I am absolutely 100 per cent. confident in everything I say. Some modesty and brevity is useful, and I will try to apply that lesson tonight.

Another great Labour leader, Hugh Gaitskell, said in 1962 that joining the Common Market would mean

"the end of Britain as an independent nation-state."

[Interruption.] I detect from the hon. Member for Stone some support for that position. The right hon. Member for Wokingham (Mr. Redwood), who is not with us tonight, said that signing the treaty of Amsterdam

would mean the end of Britain as a nation state. The right hon. Member for Richmond, Yorks famously said before the 2001 election that to vote for a pro-European Labour party again to be returned to power would mean that Britain would become a foreign land. That hyperbole does neither its Labour nor its Conservative articulators any good at all.

I want to deal briefly with three of the myths that have been perpetrated throughout this debate—I mean the debate beyond the wide-ranging debate in the House in the past two months that has taken place more generally in recent years. The first myth is the notion of Europe as a behemoth—a giant devouring machine that is eradicating sovereignty and the power of this House of Commons. If one looks at the simple economic facts, 99 per cent. of all Europe's income—its gross national income, to use the technical phrase—stays in the hands of its nation states. Of the 1 per cent. transferred to Brussels, 85 per cent. is immediately transferred to nation states in the form of agricultural subsidies. I share the criticisms of the common agricultural policy, but if we did not have the CAP, we would have a BAP—a British agricultural policy—and all the gentlemen who get the massive subsidies that they now do from Brussels would be making life hell, particularly for Conservative Members, who tend to represent more agricultural communities than my party does, by demanding massive agricultural subsidies. One seventh—15 per cent.—of 1 per cent. of that money stays with the Commission for it to do what it wants with it. I put it to the House that the notion that one can create a super-state or a federal monster, or that one can destroy the national sovereignty of the 27 member states of Europe with just one seventh of 1 per cent. of their money, does not make sense.

The second great myth is that Europe is dictating all the laws of this House. The shadow Foreign Secretary and I had an exchange during a previous debate, and he brought it up very gently and respectfully again today, quoting the Prime Minister against me, or perhaps me against the Prime Minister. Of course, all Prime Ministers at all times are infallible—they cannot be wrong. I occasionally have a kind of old-fashioned interest in the truth. That has often got in the way of successful politics, which is probably why I am not a successful politician.

I asked the Library to freshen up its continuing study about the amount of legislation that we decide on in this Parliament that emanates from the European Union. I asked for the document to be sent to me last week after that exchange, but it is publicly available in the Library. It showed that so far this century approximately 10 per cent., at the highest point, of all the laws that we pass are to do with the European Union. Within that 10 per cent., 50 per cent. of trade rules to do with the single market stem from the European Union and 25 per cent. of environmental rules are to do with the European Union. I think that the Prime Minister used the word "regulations"—I do not want to gloss what he said; he did not talk about laws—and, yes, 50 per cent. of our regulations that are to do with the single market originate from the European Union, just as they must for every other country if we want the single market to work for them.

The Commission has 16,000 employees—fewer than the BBC—and one seventh of 1 per cent. of Europe's gross national income. The House of Commons is still responsible for 90 per cent. of legislation, such as taxation, health spending, education, policing, the Human Fertilisation and Embryology Bill, sending people to prison, decisions on whether to go to war, and our main foreign policy alliances. All those matters are settled in this House, as they are in the Assemblée Nationale, the Bundestag, the Sejm, the Cortes and the other national Parliaments in other European countries.

The second great myth is that the new treaty is identical to the constitutional treaty. I have some knowledge of that matter as the Europe Minister responsible at the time. Conservative Members tend to pray in aid their experience of the Convention. They make interesting historical points, but the main recommendations of the Convention presided over by Giscard d'Estaing were rejected by the intergovernmental conference that followed. The constitutional treaty that emerged from the process was, in turn, rejected by the voters of France and the Netherlands, and it was declared dead here, not so much by my party, but by Conservative Members. I remember well the hon. Member for Woodspring (Dr. Fox) saying, "I am a doctor. I know death when I see it. This constitution is dead." The less original Opposition Members referred to the famous dead parrot of lore. We all agreed that the treaty was dead, but for the purposes of anti-European argument, it has to be brought back to life.

The pledge to have a referendum on which all parties agreed in their 2005 election manifestos related to that constitutional treaty, but it was killed barely a month after the election of the new Parliament, and those commitments died with it. At the end of each Session, any laws that have not been passed in this House die. Unless we are introducing a new constitutional innovation in the House that any pledge given in general terms on any issue has to be sustained throughout the eternity of successive Parliaments, I do not understand how Conservative Members can intellectually say that today's treaty is identical to the constitutional treaty that was killed, even if much of the anti-European press make that argument.

Mr. Harper: No one on this side has said that the treaty is identical—

Mr. MacShane: Ah!

Mr. Harper: No, we never have. All we have said, as most European leaders have said, is that it is between 90 and 96 per cent. the same—similar enough that the promise to have a referendum holds. That is what the right hon. Gentleman should be holding to.

Mr. MacShane: I accept that the hon. Gentleman, many other hon. Members and many members of the public believe that. We can argue about and rattle around on whether something can be 90 per cent. the same as something else or 90 per cent. the same DNA—can someone be 90 per cent. a virgin?—but even as the hon. Gentleman says that the treaty is 90 per cent. the same he is saying that it is not the same.

In two key respects, the new treaty is fundamentally different. It is much shorter in length, but we can leave that argument to one side. It does not contain references to Beethoven's "Ode to Joy" or to the

[Mr. MacShane]

Council of Europe flag, designed in 1954, which was adopted as the European flag, but the most important difference is that it leaves all the other treaties in place. The constitutional treaty rolled all of the existing treaties into one giant document. It was a re-founding moment for the whole of the Common Market and the European Union. The Lisbon treaty leaves all existing treaties in place. Unless we have a new doctrine that says that we must have referendums on any significant international treaty, it is not right to pray in aid a pledge given on a document that was killed in June 2005 by the Dutch and the French.

The third great myth is that Britain should look to different areas of the world because Europe is passé, and that our future lies on the other side of the Atlantic, or in engaging with our global partners in the shape of the rising powers of China and India. Yet we export more to the Netherlands than we do to China; Switzerland invests more in the UK than all of the Asian powers put together. We want a powerful relationship with the United States, but I note that last year European growth was higher than that of America; inflation was lower and productivity was higher. In dollar terms, the UK now has higher GDP per capita than the United States.

Thanks to British leadership, going right back to Margaret Thatcher and the Single European Act, John Major and the Maastricht treaty and Tony Blair with the treaties of Amsterdam and Nice, we have created a Europe that is a lot more confident. It could be better; growth could be stronger—of course it could—but let us recognise that Europe today serves British interests very well. Between 800,000 and a million of our citizens live in Spain, but they are not treated as unwelcome immigrants, as anyone who speaks with a foreign accent in Britain is treated by some sections of the press, or by some in our political system.

Mark Lazarowicz (Edinburgh, North and Leith) (Lab/Co-op): I am grateful to my right hon. Friend for pointing out some of the economic successes of Europe. He will also be aware that the Eurosceptics tried to suggest that the introduction of the euro by eurozone countries was going to be a disaster—that it would collapse and would not work. He will be aware that the euro is increasingly becoming a currency of choice for states throughout the world, and for funds and investors in Europe and beyond.

Mr. MacShane: My hon. Friend is right. As a rough rule of thumb, the nightmares predicted about Britain's engagement in Europe since the first great conference in The Hague in 1948 to set up the Council of Europe, which led to the Coal and Steel Community and the treaty of Rome—I read some of them from the remarks of Hugh Gaitskell and Clem Attlee—have never come to pass.

We are seeing a sea change in the approach of the United States. The right hon. Member for Richmond, Yorks complained that there was not adequate discussion on the defence clauses of the treaty. He had a legitimate complaint. He could, however, have shortened his speech on foreign policy and let in some of his hon. Friends who wanted to talk on defence, but he has been delighting us with more comic turns than I have seen since the disappearance of Les Dawson as a working men's club comedian. The right hon. Gentleman has a great future treading the boards in the north if he ever chooses to give up his current isolationist politics.

Mr. Clappison: The right hon. Gentleman is making a passionate speech, but there has been no scrutiny at all of the important clauses in the treaty that make important changes to our defence commitments because the Government allowed so little time for detailed scrutiny. We did not even manage to reach the defence provisions.

Mr. MacShane: I laid out three myths, but if the hon. Gentleman will forgive me, this is a fourth one: that somehow everything that happens in the House of Commons is entirely dictated by the Government. Opposition Members tabled amendments, and were able to divide up their time as they wish. The shadow defence spokesman could have led in that debate, had the Front-Bench team so decided.

Let us look now at what the United States is doing and saying. From trips to Washington as a member of the NATO Parliamentary Assembly, I believe that we are witnessing an important change in American strategic thinking. The go-it-alone ideas expressed by Donald Rumsfeld—perhaps sometimes brutally when he was Secretary of Defence—and some others who are loosely called neo-conservatives are now perceived by the State Department, the Pentagon and, I believe, the White House, to be redundant. America needs to rebuild its partnership with Europe and we, as Europeans, need to rebuild our partnership with America.

Victoria Nuland, the American ambassador to NATO —a Republican appointee and very high representative of the United States, who does not say anything that is not cleared at the highest level—said recently in Paris that she wanted "a stronger EU", able to "act independently". The American decision to give a major US air force contract to Airbus, which is important for British jobs and British industry, signals an American desire to work more closely with Europe and accept the sort of thinking that the former Prime Minister set out in the St. Malo declaration of 1998 about building more coherence around European defence. I welcome that. The security challenges of the world are too serious to be handled exclusively by the United States—or even exclusively by the United States and Britain.

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): Does my right hon. Friend also believe that burden sharing, which is one of the concerns of those of us who take an interest in defence, especially in Afghanistan, could be overcome by the permanent structured co-operation provisions in the Lisbon treaty? Many commentators believe that it will be difficult to make that work.

Mr. MacShane: Let me disappoint and reassure my hon. Friend at the same time. No institutional framework can replace or command the national wi[ll] of sovereign nation states to send their young men and women to put themselves in harm's way, or the national will of nation states to recognise or refuse to recognise

Kosovo. That must be understood. The notion that, as a result of the treaty, President Sarkozy or Chancellor Merkel will substantially change their actions as the democratically elected heads of the Governments of France and of Germany, or that what the Bundestag allows Chancellor Merkel to do or what President Sarkozy chooses to do about rejoining NATO will be affected, is wrong. In pure theory, one can claim anything about any treaty, but that does not reflect what happens on the ground.

We have heard some enjoyable speeches. I have enjoyed the contributions of my hon. Friend the Member for Linlithgow and East Falkirk (Michael Connarty). I commend him, as Chairman of the European Scrutiny Committee, for reading into the record extracts from the treaty, especially on social rights and other matters that far too many members of my party and political family do not realise are in the text.

I commend especially the right hon. and learned Member for Rushcliffe (Mr. Clarke) and the right hon. Members for Suffolk, Coastal (Mr. Gummer) and for Skipton and Ripon (Mr. Curry), who have done the best debating from behind their Front Bench. The right hon. and learned Member for Kensington and Chelsea (Sir Malcolm Rifkind), who is not in his place, punctured the windy bombast of the shadow Foreign Secretary's claims that the new president of the EU or the high representative would be omnipotent and infallible and dictate to the world. The right hon. and learned Gentleman, who knows of what he speaks as a former Foreign Secretary—and I do not believe that he opposes the pro-referendum rhetoric of his party—effectively told the shadow Foreign Secretary, "Stop talking through your backside. This is utter nonsense." I hope that someone will put together a compendium of those speeches, because they represent common sense in the Conservative party.

When Britain joined the EU, my party opposed that. Several young Labour Members of Parliament, including John Smith, Lord Radice and Lord Hattersley, defied the Labour party and voted for Europe. They kept the idea of Europe alive as serious politics in the Labour party and, when the time came, after the lunacy of the 1983 election manifesto, enough Labour Members of Parliament were ready to make the case for Europe. We see none of that in the Conservative party. Never, in the Conservative party's history, have such isolationist prejudices been given free rein, with hardly a check, especially from younger Members. If no young Conservative Members are prepared to speak for Europe, that proves to me that they are wholly unfit to govern this country in the foreseeable future.

Several hon. Members *rose—*

Mr. Deputy Speaker: Order. Obviously many hon. Members are still seeking to catch my eye, and speeches so far have been lengthy. Unless colleagues can shorten their speeches a little, many of them will be disappointed.

7.15 pm

Mr. Richard Shepherd (Aldridge-Brownhills) (Con): I hope to be brief. I am not trying to get into the "Luvvies" column in *Private Eye*, unlike the right hon. Members for Leicester, West (Ms Hewitt), for Leicester, East (Keith Vaz) and for Rotherham (Mr. MacShane).

I oppose Third Reading, first for procedural reasons. The imposition of a tailor-made guillotine that limited, in theory, each day's debate on clause 2—the heart and guts of the Bill—to one and a half hours, which had to be amended to allow a little more time, defeated the purpose of providing the measure with legitimacy in the country and the Chamber. My right hon. Friend the shadow Foreign Secretary detailed that to some extent.

On day one, we did not debate borders, visas, asylum and migration—or judicial co-operation in civil matters, which was the third grouping for that day. On day two, we did not debate difficulties in the supply of certain products, meaning energy. On day three, we had only an hour and a half to consider the charter of fundamental rights. Not all Members who were present could speak, and the subject of personal data was simply not discussed. On day four, the internal market and common commercial policy took up the allocated three hours—an amendment to the original guillotine. Not all hon. Members who wished to speak got in. Social policies, free movement of workers and establishment were not debated. Intellectual property and economic and monetary policy were not discussed.

On day five, the external representation of the EU—the foreign service, or whatever one chooses to call it—took up the three hours. Not everyone could speak and the common security and defence policy, let alone other aspects of that policy, was therefore not debated. On day six, which was about aid and development, competence and policy took up the two hours so that the subject that mattered to the world outside—aid operations—was not debated. Incidentally, we got two hours instead of the hour and a half that was initially allocated.

On day seven, which was about competences of the EU and its institutions, relationships with member states took up the three hours allocated. Let us remember that the Government graciously altered their guillotine to provide another hour and a half so that the debate had three hours rather than an hour and a half, but what was not debated? The operation of the institutions, the EU constitutional and treaty revision issues and legislative and decision-making procedures —three whole groupings—were not discussed. It is impossible.

On day eight, the topic was the effect on Parliament—that is what I was really interested in—and it took up the allocated two hours. Again, the Government had graciously extended their guillotine to allow us an extra 60 minutes. However, we still could not discuss in that extra time "Competences: remaining issues" or climate change.

The custom-made guillotine, introduced in the name of the Labour Chief Whip—the undertaker, as I think of him—and the Foreign Secretary as the leader on the matter, is brutal. However, the other person who signed the motion, of whom we have not seen a whit, is supposedly the Leader of the House. Where is she? Where has she been? She did not introduce the guillotine and did not attest that, on the balance of arguments, it was an appropriate way to consider what is a constitutional change if not in the European scene,

[Mr. Richard Shepherd]

then to our constitution. We have signally failed to measure the provisions against what we have and what is held out for us.

New Labour's impertinence and the self-serving disdain in which it holds anyone who does not share its opinion almost disqualifies it from representative government. People have different views and there is no perfect way in this world, but most of us respect and recognise the purposes of the House. What are they? Has the treaty shifted the balance of power and decision away from us to other institutions? This is not a question of vanity; it concerns the power of the British people to hold to account those who make their laws. What has happened since the originating treaty, during the time I have been in Parliament, has been the constant slicing away at the concept that politicians, instead of a bureaucratic elite, should determine what is right for the people who send us here.

I wonder about the ridiculous right hon. Member for Leicester, East. He toured the country when he was Minister for Europe and was the only person in the country who could find only two Eurosceptics, so we know what an open mind he has. One, I recall, was called Kevin. That is how low and absurd some of the personalities of our European debate have now become.

The right hon. Member for Leicester, West referred to people who spoke in these debates previously. One of them was Peter Shore, whom I want to quote because he spoke on things that matter. He represented a great tradition—I am not knocking the Labour tradition at all—and argued in a debate on a Bill that I introduced and which was the last Bill on which Mrs. Thatcher voted in the House. The Bill, which he supported, addressed two major points about referendums, the first of which was their role. I mention referendums because our amendment in that connection was defeated in the debate on the current Bill. It is for that reason I cannot support this Bill—that among a number of reasons, in fact.

The first major point about my Bill, said Peter Shore, was

> "the role of the referendum, which offers one of the few possibilities to remedy a fundamental weakness in our constitution. We have no written constitution and no procedures to protect and entrench features of our national and constitutional life. Everything can be changed by a simple majority. Many other countries, as we know, have quite elaborate procedures requiring a majority of two thirds for changes in constitutional matters and arrangements, often backed up with public referendums.
>
> We have no such defence. Indeed, previously we did not need them, because only this generation of British parliamentary representatives has contemplated handing to others the great prizes of national independence, self-government and the rule of law under our own elected representatives. It would not have occurred to a previous generation to hand to others that which we prize most greatly and have given to other countries throughout the world in the past 50 years. That is the novelty of the proposition, against which, because we did not think it conceivable, we have no defences."—[*Official Report*, 21 February 1992; Vol. 204, c. 590.]

That is the truth of why we are here and what has gone so badly wrong. A simple majority can impose on the House of Commons a guillotine so stringent that we cannot even discuss the contents of a major treaty properly. That is the first thing.

Secondly, the Government claim that they have the authority of the British people because they are elected. We are all elected. All of us, in our own way, try muddlingly to identify that which best suits the national interest and those who send us here. But the people know—or rather knew—that, at the end of the day, if we got it wrong, they got rid of us; and they have, as they will again. We have had certain things quoted enough—we have heard Mr. Blair's latest thought, his previous thought, his middle thought and his last thought. We have also had the Prime Minister's attestation that we would have a line-by-line consideration of the treaty and his understanding—he said this—that this treaty would be not the constitutional treaty, but the Lisbon treaty.

We danced over how many hours we would get and however many days. On clause 2—the heart of the Bill—the debate amounted to 19 hours, which is less time than many of our Bills take in Committee upstairs. Yet we are talking about a constitutional measure for which the Government seek the authority of a vote in the House. It is a shallow vote. They have hollowed out the House and they have hollowed out the British people's ability to hold to account.

That is what I meant when I mentioned the rule of law. What do we mean by the rule of law? We mean that we expect every citizen of this country to obey the law. They obey the law because they know that it is made by their representatives and they stand behind that; and if the law is wrong, they change it. Now we have heard the former Secretary of State for Health, the right hon. Member for Leicester, West, suggest that we do not understand the world, that somehow it has moved on and that the people out there are better served by, effectively, decisions made by a grand bureaucracy centred in Brussels. The people there are not accountable to us.

Peter Shore went on to say—and it is true—that even if the European Parliament were democratic, it could not represent the British people as the basis of authority for making law. Why not? Because the people there represent other polities, other nations and other states. The European Parliament is only a congress, in that sense. That we should bear decisions that are made by a majority of others who are not accountable to the people we are sent here to represent is an argument in itself, and a defence of a constitutional arrangement.

That is what this debate has been about for many of us in the House. That is why for the Government and, I must say, the Liberal Democrats to treat people out there as if they have no say in such matters is the most shocking—indeed, I shall say profoundly shocking—feature of this managed, staged debate. It was not the Government who called an end to the discussion on clause 2; it was the Deputy Speaker, who was mindful to put the Question that all the matters had been debated. The first that I ever saw of it was in the selection of amendments.

Those are ways in which we reduce ourselves. It is very difficult to make a case in the House now. Everything is guillotined, but that does not matter; we will look at the essence of the treaty. It is very difficult for many outside this place not to see, as I see, that there has been a progressive withdrawal of powers from

people and their ability to change them to institutions that are not accountable to them as a people—that is what I mean by polity.

When I say that this is a land of liberty, I think of the declaration of Arbroath, our Magna Carta, the Bill of Rights and those marches as part of a great constitutional settlement. We went out, once upon a time, proud to be associated. Those were the people who made a constitution. I go to America now and what do I hear? There—but not in this country anymore—I hear of the Magna Carta and the great common law. That is one of the things that distinguishes the view of the European Union—the common law versus the civil legal tradition, the Napoleonic code tradition or whatever one wants to call it. I do not knock that tradition; I just observe that it looks at the moon from a different angle from us.

The common law tradition gives our courts a subordinate position—I should like to remind the, I think, shadow Liberal Democrat Attorney-General that the judges can be dismissed by Parliament, the representatives of the people. That does not happen, because by and large we have confidence in the processes that have been established, not on the back of a treaty written half an hour ago or over 20 months in Europe, but over the practised evolution of our institutions.

The Minister for Europe, who has giggled his way through these debates in an amiable fashion, has let those great issues go slipping under the carpet. When it came to the very sovereignty of Parliament, what did he say? He said that Dicey was the classic expression of that. If the Minister does not know, the Clerks will tell him: in the third edition, and because of the Irish problems in the 19th century, Dicey came to the conclusion that a referendum might be a device by which to secure something in which we believe, or someone such as me believes—that is, the sovereignty of Parliament, which is the sovereignty of the people. That is why I shall vote against the treaty.

7.31 pm

Michael Connarty (Linlithgow and East Falkirk) (Lab): I am pleased that the hon. Member for Aldridge-Brownhills (Mr. Shepherd) went into his philosophical mode. Sadly, the bitterness of some of his contributions has been overpowering, and it often overpowered him more than anyone else.

The great problem is that the definition of a constitutional settlement can be grounded either in history or in the future. I used to teach A-level government and political systems and I studied the British constitution as a subject. I taught the subject when Lady Thatcher was in power. The conclusion of all who wrote then about the constitution was that a Prime Minister with a large majority was more powerful than an American President with a large majority from his or her own election because such a Prime Minister ran the Government like a presidency. Sadly, that process continued into the first phase of the Labour Government, when things were clearly run from the centre.

The attractions of the British constitution, unwritten though it is, are not to me so glowing and wonderful; that moon that shines down may have blinded some Members to the fact that a powerful Prime Minister with a large majority and a strong whipping system is practically unstoppable and can make or break, destroy or change, a country for ever. At different times, people will judge that Lady Thatcher's and Mr. Tony Blair's terms of office had a measure of both tendencies, given what they did to the country that they led.

It was interesting that the hon. Member for Moray (Angus Robertson) was squirming when there was talk of the British constitution, how wonderful it was and how we all had to represent one thing. Many people think that when people come here there is a unity of several countries as well as of several individual UK peoples—so we are, in a sense, a collective, just as the European Union is.

Given its struggles, it appears that the Scottish National party is not too happy with the collective of which it is a member. At one time, that party's slogan was "Independence in Europe", which is interesting. I understand why individual things in the treaty might not be attractive to that party, but the fact is that it cannot see itself saying that it would support the essence of the treaty, whether there were a referendum or not.

Angus Robertson (Moray) (SNP): For the record, I have stated already that the Scottish National party has welcomed more than 95 per cent. of the treaty. The single, red-line, outstanding issue for us has been the incorporation of fishing as an exclusive competence, its entrenchment in the treaty and the fact that no referendum is being held. We are standing by the principle. We are opposing Third Reading because we are sticking to our manifesto pledge.

Mr. MacShane: With the Tories!

Michael Connarty: From a sedentary position, my right hon. Friend mentioned the word "Tories", although I do not recognise that in the Scottish National party. That party has responded to the wishes of the Scottish people not to be represented by any party that takes the same political line and social balance in its policies as the Conservative party. Perhaps the Scottish National party has not yet realised that even aligning itself with the Conservative party to get its policies through in Scotland may come back to haunt it, as happened to many councils that relied on Conservative support.

I should like to put on the record my thanks to the Foreign Secretary, the Minister for Europe and their shadow counterparts for how they have led this debate. I have no negative comments about the humour introduced, intellectually and pointedly, by the right hon. Member for Richmond, Yorks (Mr. Hague). He quoted Valéry Giscard d'Estaing a little too much for me; I was getting a little bored by that. He forgot to quote the Dutch Council of State, which considered the new treaty and said that it was not a constitution. The right hon. Gentleman did not quote the French either; furthermore, even the Danish could not raise a party to campaign for a referendum in their Parliament.

The reality is that throughout Europe, no party thinks that the treaty is a constitution—except the party that wants to use that for political advantage in this Chamber.

Mrs. Theresa Villiers (Chipping Barnet) (Con): Will the hon. Gentleman give way?

Michael Connarty: Ah! I see a Member new to this debate. I shall let the hon. Lady read her name on to the record, although she has not been here for the past 11 days.

Mrs. Villiers: The hon. Gentleman says that no one else agrees that the treaty is in fact the constitution, but the author of the constitution has said plainly that he believes that the treaty is the constitution in all but name. Surely Mr. Giscard d'Estaing counted as someone significant when he made it plain that what we are debating is the constitution.

Michael Connarty: That is probably the weakest argument that I have ever heard. If someone is proud of something that they put before the people, but that was defeated in two referendums and then altered in negotiations between countries that want something useful and if those countries come up with something that is not what that person put forward, of course the person will claim that it is the same thing. They will not want to be told that their idea was basically dumped, but that idea—to have a constitution for Europe—was dumped.

Mrs. Villiers: Will the hon. Gentleman give way?

Michael Connarty: No, I will not. I have taken on board Mr. Deputy Speaker's caution about other people wanting to speak. I may have more to say than he is pleased with. Due to the fact that I have been chairing European Scrutiny Committee sittings, I have often had only four or five minutes to speak at the end of a debate in which I would like to have participated more. I have a number of things to say.

The point is that some people did want a constitution. If they had got away with it, there would have been one treaty, a president of Europe and a Foreign Secretary of Europe, but all those things have been taken out of the treaty. The right hon. Member for Richmond, Yorks referred to a turf war because of the president of the Council, to whom people still refer as the "president of the EU". If there was going to be a turf war, it would be between the president of the Council—a Council, not Commission, member—and the president of the Commission. That is what happens at the moment. The Council goes into discussions about something that the Commission proposes, and there is a turf war.

The great thing is that someone will be representing and carrying on the work of the Council in two-and-a-half-year terms, with a Council secretariat. Hopefully, that person will apply more leverage against the Commission so that the Commission does not have things all its own way, which happens at the moment.

The shadow Foreign Secretary also asked why there was not primary legislation in respect of common foreign security policy and defence. That suggestion was also put forward by the Foreign Affairs Committee. All we have on the record is the Prime Minister's declaration that any time we move from having a veto to qualified majority voting—using the passerelles, as they are called—that will be decided on the Floor of the House. Why should there not be primary legislation? Given my analysis of the treaty and all the logic that applies to my, and many people's, concern about the sovereignty of the House, why should there not be primary legislation for such far-reaching decisions? That is something for the Government to think about; they have not yet answered our questions about the process that involves this Parliament in the moves that we make in respect of the opt-outs and protocols.

I was impressed by the many contributions of the right hon. and learned Member for Kensington and Chelsea (Sir Malcolm Rifkind), who unfortunately is no longer in his place. It is amazing that a man of his stature—I knew him when he was a junior Minister in the Scottish Office when I was a council leader fighting against the Thatcher proposals for local government—whose logic, honesty and integrity I have always respected should be sidelined not because of age or lack of talent, but simply because the Eurosceptics have what they tell me is a blocking minority on the Conservative party in opposition. If that is the case, it is a very sad day for the Conservative party and for the people in Britain that it claims to represent—the businesses, the civil society and the constituents whose interests and concerns are helped along by Europe as much as by anything else we can do in this House. I wonder why the right hon. and learned Gentleman has been sidelined.

In respect of Schengen, the right hon. and learned Gentleman referred to an "à la carte" menu for justice and home affairs. That is one way of looking at it, but not how the UK's approach is regarded by everyone else I meet—in the Conference of Community and European Affairs Committees and in European Parliaments, for example. They respect us, but, in terms of the EU arrangements, they view us as the most detached member. We have no euro and we have no Schengen borders. Contrary to the mythology we heard earlier about Schengen borders, we do not have the same border controls. We made a virtue—I believe it was the wrong thing to do—in our proposals for the 2001 election of our intention not to sign Schengen and not to come within the Schengen borders, but to have our own immigration system. I think that that weakened the Schengen system, just as our non-participation in the euro weakened the euro system.

That decision bounced back on us and we became a target for illegal immigration. After all, if someone gets into a Schengen country, they will want out of it because they have been given a transit visa, so where do those immigrants head? They go to the nearest non-Schengen country, which is the UK. That is what has happened. We took a terrible decision and if we ever get the necessary opt-ins, it will take us a long time to get the Schengen arrangements working properly.

Mr. Lilley: Why does the hon. Gentleman think that the head of Germany's police union said that the lifting of border controls on Germany's borders with Poland and the Czech Republic, when those countries joined Schengen, was "an invitation to criminals" and that European citizens will

"suffer a considerable loss in terms of security"?

Michael Connarty: The right hon. Gentleman would have to ask the German police that, and he would also need to ask the German Government why they decided not to allow people to come immediately to work in

their country when the European Union was enlarged. If the right hon. Gentleman went to Poland, as I did with a former Conservative Agriculture Minister, he would find that the people of Poland believe that the problem of an enlarging Europe is that the Germans and Dutch are coming back to buy up all their land. The Poles do not make much money off their own land and are being pushed off what land they have. There have been tensions along that border for many years, which was probably being expressed in those comments from that German police officer. There is no evidence to suggest that Germany is facing the sort of problem that the right hon. Gentleman has described.

Angus Robertson: During the 1990s, when I reported for the BBC in central Europe, I remember interviewing an Austrian general on the border with Hungary who was concerned, as were the Austrian Government, about the potential for criminality from the Hungarian side, as from the Czech and Slovak side, yet within two years, it was clear that there were no such problems whatever. There may need to be transitional arrangements, but as the economies of central and eastern Europe improve in the longer term, the problem of criminality as a result of different standards of living becomes progressively ameliorated.

Michael Connarty: I take that point and hope that everyone else will. I believe that any form of xenophobia is a very bad thing for the project and, indeed, for the world we live in. We now live in a global village, as Marshall McLuhan predicted back in the 1960s. We have to get used to it and come to understand that what seems to some to be a threat may be our saving grace.

The truth is that people are not really talking against the Lisbon treaty, but against the process of the European Union—what I as a member and Chair of the European Scrutiny Committee recognise as clear "Commission creep". There is such Commission creep because that plutocracy was given power to try to put together arrangements for the advancement of a closer and closer Europe in order to prevent Europe from being run by politicians who would go to war when they could not solve problems. We have moved on from that, however, as the process is now about economic development, social development, enlargement and making the European Union a place of safety, security and, hopefully, human rights for people who did not have them under the previous Soviet communist arrangements.

Many everyday things will not change when the treaty goes through and the various directives, regulations and framework decisions come into force—the process under which the European Commission can get rules, regulations and laws on to the statute book. There will be green papers, white papers and even the non-papers. The EU is the only organisation in the world I know that presents non-papers. I predict that they will eventually become green, then white papers and eventually directives. That is how the EU gets things on the agenda. We are used to dealing with that process every week. I hope that people will read our reports, which are printed every week, and see exactly how our business is done.

In respect of the post-constitution and post-referendum period, at COSAC and Future of Europe meetings or even in face-to face meetings with Franco Frattini, I have said—I believe I said it in *Hansard*—that "the constitution is dead". The constitution was dead, because that arrangement would never have got through under the barrier. Even by taking 5 per cent. out, the treaty was acceptable to the French Government, who took two days—one and a half days in the Chamber of Deputies and half a day in the Senate—to get it through, but I did not see an uprising in the streets of France. I am sure that the French referendum had as much to do with the disquiet and the problems in the streets and arrondissements of Paris as it had to do with the constitution itself.

I would like to suggest that people should take the trouble of reading our Committee's reports. They have been quoted bit by bit, piece by piece—but not line by line in the sense of every line, just the line that people like. We expressed our concerns on many issues in our reports. I am not claiming that this is a perfect deal for the UK. It amounts to a hard-won alteration to the conditions that we will have to apply when the Lisbon treaty comes into force, but we have to accept that that is what negotiations are about. How the negotiation took place is a mystery, and we said that. We said that the process

"could not have been better designed to marginalise the role of national parliaments and to curtail public debate, until it has become too late for such a debate to have any effect on the agreements which they have reached."

That was in our 3rd report of Session 2007-08, paragraph 8, page 5. It is true. It was a mysterious process, but it did come up with a number of important decisions that safeguarded the UK and, indeed, other countries, on common security and foreign policy, on defence, on tax, on social security and so forth. We were leading that argument, by whatever means it was going on. In the final intergovernmental conference, we obviously came out with something different and better than what had been proposed before in the treaty for a constitution. We had some doubts about it and we put them on the record.

Let me refer to the paragraphs in our reports. I will not read them out, as we do not have enough time, but I will mention the paragraphs where we expressed a doubt— paragraph 6 on page 7; paragraph 21, page 8; paragraph 24, page 8 and paragraph 25, page 9. We went on to express further doubt about other elements of the same treaty. That will not surprise the Minister, who has heard all those doubts argued. In paragraph 60, we said:

"We were less concerned by the provision relating to measures which build on the so-called Schengen aquis."

On that, we added that

"the UK needed to establish an 'absolute right' to choose whether to participate in Schengen building measures."

It did, in protocol 10 to article 10, which gave us an opt-in or opt-out decision every time that an advance along the Schengen lines is proposed, which obviously concerns the right hon. Member for Hitchin and Harpenden (Mr. Lilley). We expressed further concerns in paragraph 64 on page 18 and paragraph 67 on page 19 and we drew our conclusions on page 20. In paragraph 72, we stated:

"We remain concerned that the provisions on the role of national parliaments are still cast in terms in which a legal obligation can be inferred".

[Michael Connarty]

People may remember that we would have preferred "may" rather than "shall"; we had to argue again and again about what the direction to "participate" will mean. Paragraph 74 states:

"We draw attention to the provisions relating to the 'opt-in' on amendments to existing EU measures, where we consider a stronger position could have been achieved."

Paragraph 75 states:

"We are concerned that the interpretation of the red line to 'protect UK civil and criminal justice' as only requiring control of the decision to opt in or not does recognise the loss of protection that will occur every time jurisdiction is transferred from UK courts to jurisdiction by the European Court of Justice and the Commission."

So, we had many concerns, but we have many more reasons for offering support.

Throughout the debates, I have read into the record parts of the actual treaty—in particular, the consolidated treaty numbers and what they say—because I believe that there are many reasons to support them. My right hon. Friend the Member for Leicester, West (Ms Hewitt) spoke of some of those. My right hon. Friend the Member for Leicester, East (Keith Vaz) spoke fluently and in a reasoned way, and my right hon. Friend the Member for Rotherham (Mr. MacShane) also gave lucid reasons for positive support.

The economic and social balance has been switched back slightly towards the social and away from the problem that people have with unabated free market economics. On human rights, the charter of fundamental rights has been opposed. I cannot understand how anyone can oppose what is in it, because most of it is in our own Human Rights Act 1998. That is the way it should be, but we seem to have got upset in a way that makes no sense to me. What is wrong with having human rights throughout the whole of Europe?

The rights of children throughout Europe are in the treaty for the first time, which is very positive. The rights of the elderly—intergenerational solidarity—are in the treaty. There are employment laws and rights—not just in the charter of fundamental rights, but in the treaty. The protocol on services of general interest will protect not only the ferries to the islands of Scotland, but many social services, if they are designed specifically for the needs of the people for whom they are provided. There are links, on the basis of economic and social welfare, to education and skills, and an education White Paper is being considered in Europe at the moment. None of that is compulsory; it is advisory and it is good practice. That is how we should try to transfer good practice across the EU.

On intergenerational solidarity, I recommend that people get hold of the report and read it. The analysis is that, by 2030, there will be 30 million fewer people of employment age—of work force age—in the EU. We have to face up to that and think about how we can extend people's work life and make work life more accessible—for example, perhaps for those with disabilities. We must also consider how to draw into Europe people who can give us the work force that we require.

The ongoing processes on climate change, energy use and energy generation can be done only on a European level. There is no way they can be done country by country any more. We have to think seriously about how we deal with those matters. The latest book by Professor James Lovelock, "The Revenge of Gaia", says that we are already over the tipping point and heading beyond 400 parts per million of CO_2 in the atmosphere—heading for 600, which would mean parts of London being under water. A lot of south-east Asia will be under water if we do not do something about that.

I think that the EU did not try to direct; it fudged the issue. It did not say what it should have said about the need for different types of energy. It said, "We want more renewables." There was a kind of wish list, which said, "We're going to have 15 per cent. renewables; that's our target." But how do we get there? The EU is afraid to say some important things. The one I think that it needs to say is that nuclear, with reprocessing using mixed oxide—or MOX—fuel, is a renewable resource, as well as any other.

What is the bogeyman in all this? I am sorry that the hon. Member for Stone (Mr. Cash) has gone. The bogeyman is what we frighten people with in Scotland.

John Robertson (Glasgow, North-West) (Lab): Sounds like the SNP.

Michael Connarty: For some people, the SNP is the bogeyman, but not for others. The European Court of Justice—that is the bogeyman, an organisation that is going to come along and somehow do bad things in the name of justice. Because it is European justice is it bad? Is that the equation? If it is British justice, is it all right? Go and ask people how we treated them within our empire. Ask people now, who are denied justice—for example, children are locked up in Dungavel in Scotland and in other places. That is British justice. British justice is opted out of the UN convention on the rights of the child so that we can lock up asylum seekers' children. That is British justice.

The EU, I hope, will come along and say that that is not acceptable, and that we cannot do it. In fact, the latest Commission report says that we are in breach of the rights of the child across Europe, so we have to think about whether our justice system is better than any other.

What is wrong with justice? Two weeks ago, I spoke with Professor Sir David Edward, who, being an ECJ judge, is a leading figure in jurisprudence in Scotland. Nothing that he said about justice, his view of justice and Europe's view of justice made me afraid of this organisation, the ECJ. The idea of justice is for everyone within the EU. That is what we can contribute. Why should positive parts of the UK's perception of justice, as put forward earlier, not be available to everyone throughout the EU? Why should it not be available to an enlarged EU, which we have at the moment, or to Turkey, Croatia or any other country that wants to come and join us? I do not think that there is anything wrong with that.

I want to finish on the power of the European Parliament. Look at the article 289 of the consolidated treaty:

"The ordinary legislative procedure shall consist in the joint adoption by the European Parliament and the Council of a regulation, directive or decision on a proposal from the Commission."

The European Parliament and the Council are involved. The European Parliament is a democratic organisation. If it is not good enough for purpose, make it better. That is our job as parliamentarians and as citizens. The article goes on to say in paragraph 4:

"In the specific cases provided for by the Treaties, legislative acts may be adopted on the initiative of a group of Member States or of the European Parliament".

So, it gives elements of the generation of law not just to the Commission, but to member states. If we think something should be done as a collective, we should be able to put that suggestion forward, take it to the Council and the European Parliament, and bring it in as legislation. Not only the Commission is involved, so that is an advance on the idea of the plutocrats running everything.

I want the House to pass the Bill and implement the treaty. I want the people of the UK to participate through this Parliament and through their representatives in the Scottish Parliament, the Welsh Assembly and the Northern Ireland Assembly. I want them to participate in any other way that they can. That is not a one-way system; I see it as a resolution of forces.

There is a new force—the European Parliament. The Commission, the Council, the European Parliament, the devolved Parliaments and the Parliament of the United Kingdom are all involved, as are all the other Parliaments of Europe, and there is a resolution of political forces for us to work on. That is what the treaty gives us the chance to do. It is for our constituents, for the future of Europe and for the families that we represent.

7.57 pm

Sammy Wilson (East Antrim) (DUP): I imagine that at the end of tonight's debate I will probably be on the losing side after going through the Lobby with those who, as has been the case many times during these debates, find themselves on the right side of the argument but on the wrong side of the vote. That is sad. I believe that the vote this Parliament took last week on the referendum, and that which I suspect will be taken tonight on the treaty itself, will do irreparable damage to our own image, the powers of this Parliament and our country.

It is clear that there is a distance between a large number of Members of this Parliament and the electorate, to whom Members promised there would be a referendum when this constitution was finally arranged. I know that many arguments have been made to the effect that this is not a constitution, but simply a treaty. However, as late as June last year, when the negotiations had been going on for some time—I suspect that the Government were aware of what was likely to be agreed and what was not—the Prime Minister was still saying:

"The manifesto is what we put to the public. We've got to honour that manifesto. That is an issue of trust for me with the electorate."

Even in the middle of the negotiations, the Prime Minister was still saying that the manifesto pledge was a matter of trust with the electorate, yet that has now been broken.

I have listened to the arguments that have been made over the days of debate, and again today. The right hon. Member for Rotherham (Mr. MacShane) and the hon. Member for Linlithgow and East Falkirk (Michael Connarty) were telling us that we had nothing to worry about because this was not a constitution. Indeed, as the hon. Gentleman said, let us see what the Dutch, the French and the Danish have said about this, but they, of course, have an interest in playing down the constitutional aspect of the document because they have populations that have made it clear that they will not tolerate a constitution.

Two of those countries have voted against it. Twelve of the other countries have no axe to grind—they have not had a referendum—and seem to have no great concerns about whether it is a constitutional treaty. I am not going to put their views on the record again, because over the weeks of debate on this subject, hon. Members have put on the record what all of those other 12 countries, the original author of the constitution, the European Parliament and the European Commission have said. They are all on the record as saying, "This is a constitution. This is the same as the document that we negotiated previously, with very little difference."

The second argument is that the treaty does not represent a massive transfer of power—but let me mention some of the ways in which there is a transfer of power: the setting up of new EU institutions; the weakening of the UK power to block legislation; the reduction of national vetoes on votes in Europe; the new EU powers on health, social security and trade policy; and a legal toolbox for further changes, which is perhaps the most damaging aspect, because there can be more changes without us considering them in this form again.

We are told, and many hon. Members have put it on the record again, that the sort of language used in the document has been chosen because it is important for the content and the real intent to be hidden in some way. The Prime Minister of Luxembourg said:

"Britain is different. Of course there will be a transfer of sovereignty"—

it does not matter what is said here; those who do not want to highlight the transfer of sovereignty will try to hide it—

"But would I be intelligent to draw the attention of public opinion to the fact?"

Of course he would not, not when there is a sceptical public in the United Kingdom.

The other reason suggested for why the arguments against the treaty should not be listened to is that we are "scaremongering". It is difficult to take lectures about scaremongering when hon. Members imply that if we do not keep faith with the EU and the treaty we will be pushed back into a world war: apparently we will be at Germany's throat, we will be fighting the French, or we will be after the Spanish. The hon. Member for Kingston and Surbiton (Mr. Davey) implied that if we do not vote for the Bill, somehow or other paedophiles will run free around Europe, guns will be all over the place, and we will not even get a European spaceship.

Mr. Jeffrey M. Donaldson (Lagan Valley) (DUP): Some of them should be on it.

Sammy Wilson: Maybe they should. Space would be a good place to send them.

Let me consider just two of the so-called scare stories that have been put around. One is that the powers of the EU institutions have been exaggerated. The amazing thing is that we only have to ask the following question: if we have nothing to worry about from the setting up of an EU institution with a president, a Foreign Minister and a diplomatic corps, why did the Government oppose it in the first place?

Michael Connarty: The hon. Gentleman makes me think of the saying, "You put a straw man up to knock it down." If he says that there is a president, but there is not, he can then talk about a president. If he says that there is a Foreign Secretary, but there is not, he can then talk about a Foreign Secretary. There is no president; there is a President of the Council. There is no Foreign Secretary. Why mythologise?

Sammy Wilson: The hon. Gentleman can use whatever name he wants for the Foreign Minister, the president and the diplomatic corps, but they still exist. Let me quote the Foreign Affairs Committee. It has a Labour majority, and the Labour Government are trying to sell us the idea that there is nothing to worry about. The FAC says that

"the Government risks underestimating, and certainly is downplaying in public, the importance and potential of the new foreign policy institutions established by the Lisbon Treaty, namely the new High Representative"—

I do not care what the person is called; he is a Foreign Minister—

"and the European External Action Service"—

the European diplomatic service.

"We recommend that the Government should publicly acknowledge the significance of the foreign policy aspects of the Lisbon Treaty."

Even a Labour-dominated Committee of this House was prepared to accept that there is something in the treaty that the Government had said they did not want, but which they had got. The Government then said, "It doesn't matter because we're not really concerned about it," and told us that we were scaremongering.

Rob Marris: I think that the high representative and so on are significant. They are a great advantage to the UK because they give us leverage. We can either stand alone, as we could for years as the UK, or we can stand with 26 other member states. It depends on the issue. Foreign policy in the EU is decided by unanimity. It is an each-way bet. Either we stand alone if we cannot agree with the other member states, or we can agree with them and have more leverage and more power in the world. The hon. Gentleman and the Committee are right: that is significant—it is of significant benefit to the UK.

Sammy Wilson: Here is the other myth that is being spread around—that all the decisions will be made on a basis of unanimity. There are 11 areas in which a qualified majority vote will be sufficient. Indeed, the very leverage to which the hon. Gentleman refers has been severely weakened.

Let me take another example, which was given by the Foreign Secretary. On the environment, he said that a scare story was going around that the EU, at a time of crisis, would redirect gas and so on from the UK to other parts of the EU. New article 122 states:

"Without prejudice to any other procedures provided for in the Treaties, the Council, on a proposal from the Commission, may decide, in a spirit of solidarity between Member States, upon the measures appropriate to the economic situation, in particular if severe difficulties arise in the supply of certain products, notably in the area of energy."

To me, that leaves open the possibility of redirecting energy around the EU in severe situations.

Rob Marris: The hon. Gentleman read out paragraph 1 of the article. Paragraph 2 says:

"Where a Member State is in difficulties or is seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control, the Council, on a proposal from the Commission, may grant, under certain conditions, Union financial assistance to the Member State concerned. The President of the Council shall inform the European Parliament of the decision taken."

It specifically says "financial assistance". It does not talk about commandeering supplies. He has to read both bits.

Sammy Wilson: The other term that the hon. Gentleman ignores is "measures appropriate". Had it been simply financial measures, it would specify financial measures, but it does not. It is ambiguous.

One of the first times that I was politically involved in something was around the time of the referendum on entering the EU and the renegotiations. At that time, people were accused of scaremongering when they said that when we gave fishing policy over to the EU, it could devastate the local fishing industry. We were told that the ambiguous wording in the treaty was being misinterpreted. We now have a devastated fishing industry.

Angus Robertson: The hon. Gentleman is making a powerful case about fishing. Will he confirm that there are communities in Northern Ireland—as there are in Scotland and in England—whose fishing industries have been devastated by the common fisheries policy, in contrast to those in Norway, Iceland and the Faroe Islands, which are not subject to the common fisheries policy? For those who care about the future of Northern Ireland and Scotland, that should be reason enough to vote against the treaty tonight.

Sammy Wilson: I do not mind why the hon. Gentleman votes against the treaty. I know that parts of it find favour with him, but if that is the reason compelling the Scottish Nationalists to vote against it, I agree with him.

When membership of the EU was being negotiated, we were told that we were misreading the terms of the treaty, and that what we feared could not possibly happen. Now we have seas that are plundered, villages that are destroyed and industry that is wrecked. What we were told could not come true has come true. As for what are now being described as scaremongering stories, I believe that at some point in the future we will look back and regret that we did not listen to the voice of reason in the House.

Michael Connarty: The hon. Gentleman will recall—although he must have been very young then, because he seems very young now—that it was the Conservative

party that sold that line. The Labour party's official position at the time was to oppose the treaty, although I voted for it in 1975. Does the hon. Gentleman's party oppose membership of the European Union? His argument suggests that it does.

Sammy Wilson: I do not really care which party tried to sell that line. It was the wrong line, and one that we have come to regret. What is so sad is that subsequent Governments have not sought to do anything about it. As other Members have pointed out, once we enter into arrangements such as this they are almost impossible to reverse. It is no use arguing that they were wrong at the outset and would prove devastating, because it is not possible to change them. That is why I find it sad that we have not given this Bill proper scrutiny. We are walking into something that will be irreversible.

Conservative Front Benchers have been told, "If you don't go along with this, no one will negotiate a different treaty with you. No one will talk to you." Indeed, I think that one argument was, "There will be no one to talk to." We have had some experience of that in Northern Ireland. We opposed an agreement between the Irish Government, the British Government, the American Government, all the parties in the Irish Republic, all the parties in the House of Commons and all the parties in Northern Ireland. We had been told "Don't even think of opposing it; no one will talk to you, let alone renegotiate the agreement." We did not believe that, and the agreement was renegotiated. Safeguards that had not been inserted in the first place were inserted. The people who had said that it would never be possible to persuade Sinn Fein to accept the police and give up their guns were proved wrong. Now I say to Conservative Front Benchers, "Don't listen to that kind of nonsense."

It should not be forgotten that we are valuable members of the European Union. The other members of the EU benefit from us as much as we benefit from them, and sometimes more when it comes to trade, the transfer of money and a host of other matters. If there is a change of Government—as I hope there soon will be—and the British people speak, saying that they do not like the terms of this treaty, there will be a chance of renegotiation. I do not think that Members should go limply through the Lobby to vote for the treaty simply because they have been told there is no alternative.

The votes that have taken place so far have brought great sadness. Some powerful speeches have been made tonight about the erosion of the powers of this Parliament, about the increasing influence of Europe that will result from the treaty, and about the impact that that is likely to have on the lives of ordinary people here in the United Kingdom. I hope that Members will see the light between now and a quarter to 10, although I doubt it. Of course, it is not always a case of seeing the light; sometimes it is simply a case of Members managing to remove the Whips' arms from their throats. If that does not happen, however, at least those of us who stood on the basis of a manifesto commitment to put this to the British people in a referendum—to give them the right to have their say—can walk through the Lobbies tonight with our heads held high, and oppose the Third Reading of this Bill.

8.15 pm

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op): I rise with some trepidation. Many Members here are veterans of this important debate, having been present for every day of it, and passions run very high. I hope that I shall resist the urge to become too passionate—or, indeed, as discourteous as some speakers on both sides of the House have been, although I understand that that is because they feel so strongly about the issue.

I am speaking tonight because I experienced a sense of guilt. I have been in the House for a long time. I arrived at the same time as my old friend the hon. Member for Aldridge-Brownhills (Mr. Shepherd), who was at the London School of Economics with me. We have always disagreed about Europe, but one day recently he chided me; "You have been in this place for a long time, but you are not even going to speak on the European issue." He also teased me because I had popped into the Chamber and made a couple of interventions, which he said did not constitute a serious contribution.

Last week I sat through six and a half hours of debate in the hope of being called. The Bill was in Committee, and as you will remember, Mr. Deputy Speaker, you were in the Chair. I was not called, but I must say that it was a great educational experience, although it was a bit like entering a rather exclusive club—a club that not many people can join because its members have been together for so long, are familiar with each other's nuances and know who will say what, and bounce off each other in a very interesting way. It took me back to the days when I was, I suppose, something of an academic sociologist—

Rob Marris: Stockholm syndrome!

Mr. Sheerman: Indeed—but I found myself observing the way in which the various speakers in the debate reacted to each other's contributions.

I shall vote for the Bill tonight. I must confess—this is a confessional, is it not, for Members who have been around as long as I have?—that I originally voted against Europe in that referendum when we had a choice. It was a long time ago, when I was a callow youth, a young university teacher, and I got it wrong. The more experience I have had of politics, of being a politician and of being in this place, the more embarrassed I have felt about the fact that I got it wrong on that occasion. However, I have never liked referendums. I know that they have been described as a creature of Napoleon, but I believe that if we refer to antiquity we will find that certain Roman emperors used a form of referendum to get their own way, and I know that the Italians used them under Mussolini.

In the Labour party, I blame Tony Benn. I had the room next to him in the House at one stage and I got on with him extremely well personally, but I never liked his politics, and his recounting of history through his diaries showed a world that I did not recognise and do not remember. I think that one of the great disservices that he did the Labour party was when he persuaded Harold Wilson, at a time when Harold Wilson was vulnerable to what was happening on the left of the party, into thinking that a referendum was the answer.

During these debates I have heard many people say that it is all about expediency, but we, as parliamentarians, are politicians, and there have been times when I have

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seen all parties acting in a politically expedient way. The official Opposition might be doing that at present. I listened intently to the speeches on Second Reading and I was impressed by the right hon. Member for Richmond, Yorks (Mr. Hague). He is the best entertainer and performer in the House at present; he is an outstanding debater. However, when I subsequently read the Second Reading speeches, and thought about them and took out the humour, I found that there was not much substance to tell me what his position was on Europe.

From listening to or reading the contributions of the hon. Members for Stone (Mr. Cash) and for Aldridge-Brownhills and their group, I know precisely where they are coming from and what they believe; they articulate it passionately, although not always politely. I also know the position of the right hon. and learned Member for Rushcliffe (Mr. Clarke) and that little group around him that represent that strong and remarkable tradition in his party of being both liberal-minded Conservatives and pro-European. I do not say this to make a political point, but I share some of their concerns that something is going on in the modern Conservative party and that prospective members who hold similar views to those of the right hon. and learned Gentleman are being screened out from standing for winnable constituencies. I do not know whether that is because of the influence of some noble Lord, or whether there has been a worrying shift in Conservative party politics, but that sort of Conservative is being eliminated from the parliamentary party. As has been mentioned, very few of the younger generation of Members have made pro-European speeches.

Let me get to the nub of why I shall support the Bill. I must confess that I get fed up with Europe. I get irritated by the messiness and clumsiness of it, and I hate some of the effects of the former treaties. For instance, I do not like the fact that we have a voting system under which we do not really know who our MEPs are. Under the old system, we knew exactly—

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. I want to encourage the hon. Gentleman to talk about the Bill. This is a Third Reading debate and he should be talking about the Bill's contents.

Mr. Sheerman: I was merely seeking to prove my credentials for voting for Third Reading by showing that I am not a pushover in any way. I was trying to say that, as a—reasonably—objective person, I do not like many aspects of drift in Europe and also some elements of this treaty. In political life we must judge things in the round, however. There are things we agree with, and other things we disagree with, and overall this treaty recommends itself to me and to my colleagues, and I believe that there will be a majority in favour of Third Reading in the House tonight.

That does not mean that there are not elements of the treaty that could be forensically studied and on which I would have misgivings. I think that all Members would agree with that, if we were honest. We do not agree with 100 per cent. of anything; I certainly do not. As I have said, I also thought that way about Maastricht, and certainly about the new voting arrangements under which we do not know who our regional MEPs are because they do not have a defined constituency. I have never liked that. Looking to the future, I do not unreservedly welcome the possibility of Turkey joining the EU. That makes my position slightly different from that of those who say that the entire treaty is right; I think that the majority of it is right.

I have not been present for all the debates, but although I understand their position I am not convinced by the arguments that I have heard from articulate Members from both sides of the House—who have voted against the Bill in Committee—that the treaty is the same as the constitution. One reason I shall be voting in favour of Third reading is that the treaty is fundamentally different from the constitution. I share the view on why Valéry Giscard d'Estaing said what he said; it made me very angry when during a long debate that I attended yet another speaker stood up to quote Valéry Giscard d'Estaing.

One reason I like the treaty—and prefer it to the constitution—is that it builds incrementally on other treaties. The hon. Member for Aldridge-Brownhills talked about English common law being built up over centuries. Europe is new, and we are building its measures up in a way that is parallel to the building up of English common law. We have had a series of treaties, and I like that process; one of the reasons I shall vote in favour of Third Reading is that the treaty builds incrementally.

I was a Member of this House at the time of debate on the Maastricht treaty, and I voted on it, as you did, Mr. Deputy Speaker. I remember all the arguments then, saying how wicked and iniquitous it was to have a guillotine. Members used to say that Mrs.—now Baroness—Thatcher was wicked to introduce guillotines on such important matters and that that was the end of parliamentary democracy as we knew it; and we have heard the same arguments again over the past weeks. However, we must see such steps in the context of Governments having to get their business through. They will get their business done; I am afraid that that is the nature of this place. However, it must be said that Lisbon is a much less significant treaty than Maastricht; that was the big hurdle.

The Lisbon treaty is better than the original constitution. The constitution would have wiped out all the previous treaties and started again. I did not like that; I did not think it was necessary. As a politician, I preferred an accretion of effort—building on the last thing that we had constructed and modifying it and changing the bits that have not worked or that we did not like. I do not like the common agricultural policy and what it has done to our agriculture, and I do not like aspects of the common fisheries policy, but I do like other bits of the treaties.

Let me explain why I shall go home tonight content about voting for Third Reading. My generation was born during the dark period when this House was being bombed by German aircraft. We can remember the second world war; I was born towards the end of it, but I can remember what Europe did to itself then. I think what a wonderful life I have had and what a wonderful life my children and grandchildren will have bearing in mind certain ghastly things in English history. There are wonderful things about English history, but for goodness' sake there have been wars

after wars. The Napoleonic wars were followed by more wars and then by the first world war. The war that brought more of my generation into politics than any other was the first world war, because we thought that it should never happen again. One can read about the history of the first world war and the disgraceful decisions taken by politicians of every party across Europe that made that war happen and made millions of young men die in the trenches. Like many people of my generation, I came into politics to build a country and a Europe where that would never happen again.

I have gone on about this in my interventions, but I believe that this treaty builds on the things that we have secured over the years since we became part of the European Union—a European group of nations. This treaty will help to secure the maintenance of peace and prosperity. Let us not underestimate this country's enormous prosperity. Although it brings all sorts of problems, it also brings something that one finds in the American constitution, but not in ours—the pursuit of happiness. I believe that we come into politics so that the people—the people in Huddersfield whom I represent and the people whom we all represent—can have the freedom that they want to pursue the good life and happiness.

People have said that we do not have a written constitution. We do not have it in one document, but we have lots of bits of our written constitution and they are all important. They are not tidy or joined up, but they exist and I do not believe that this treaty contravenes them. It becomes part of this great synthesis as we progress—and not just as an old-fashioned nation state that thought it could do anything

I hope that when people talk about the nation state they look back at what the nation state brought us—the horrific periods of our experience as a nation—and what it meant, perhaps not for the ruling classes that run the country but for the poor bloody infantry that fought the wars, dug the ditches and did all the ghastly things that happened—*[Interruption]* They should also look back on slavery and the dreadful things done in the name of the nation state.

This exclusive club and company has been discussing the treaty for so many days and I feel honoured to have had the opportunity to put some things on the record. I am not passionate enough to condemn people for their positions—I understand where they come from and my position comes slightly from the outside. This Third Reading and this treaty deserve my support and that of all sensible, good-thinking Members of this House.

8.32 pm

Mr. David Heathcoat-Amory (Wells) (Con): The hon. Member for Huddersfield (Mr. Sheerman) hardly gave a ringing endorsement of the treaty. He said that it contained parts he did not like, but that on balance he would vote for it. That is an indictment of a treaty that should be at the end of a reform process. Europe should by now have addressed the widely shared concerns about its procedures and policies. It is worth reminding ourselves that the treaty was conceived seven years ago—it had a long gestation period—and was launched in the Laeken declaration of 2001, in which the Heads of Government who were meeting in that Belgian town called for Europe to reform itself and described Europe as being undemocratic, complicated and remote.

The Lisbon treaty is the result of a failed reform process. It is obviously a failure. It runs to nearly 300 pages of appalling Eurojargon, so it is completely inaccessible to the ordinary voter. It is designed to be so, because the people behind it knew that the more complicated they made it, the less likely it was that people would be asked to vote on it. That was admitted by one of the vice-presidents of the Convention on the Future of Europe, Mr. Amato, who conceded that if it was designed to be a popular document, it might be put to a popular vote—and they would never risk that.

This reform process has been a failure, because it makes Europe more remote. The very institutions that caused much of the grief have been given more powers. The decisions will be made by more powerful institutions more remote from the ordinary citizen. That not only ignores the instruction given in the Laeken declaration that Europe should be moved "closer" to the citizen; it defies and contradicts it. How can we do that when decisions on a range of new policy matters are to be taken not in the national Parliaments but in the most remote tier of government—the European Union? It is not surprising that this document, or one very much like it, was rejected by the French and Dutch electorates. The problem with the European Union is that "no" is taken to mean "yes".

Another myth is that without the treaty, paralysis would result. We have been told that. It has been said in the debate that the treaty is needed to govern a Europe of 27 countries. I was told during the Convention on the Future of Europe that the constitutional treaty was necessary for enlargement. Indeed, Ministers told me that if I was against the constitutional treaty, I was therefore against enlargement. In the same way, we are now told that if we are against spending more money on the European budget—our contributions will soon go up to £6 billion a year—we are against enlargement. However, enlargement happened as a result of the Convention on the Future of Europe. Another 10 countries joined, and another two have joined since, and there has been no paralysis.

I ask any hon. Member who believes that there has been paralysis to spend half an hour attending at least part of the European Scrutiny Committee's weekly meeting. They can now do that because, in a radical new procedure, hon. Members can actually attend at least part of a Committee of their own House. They will see a torrent of legislation from Brussels. More than 1,000 new instruments a year are being examined. There has been no paralysis even under the existing treaties, so it is a complete Euromyth that we need a new treaty for a Europe of 27 countries.

When the original constitutional treaty was decisively rejected, Europe reverted to its old, familiar method of secrecy. All the negotiations that took place last year to revive the treaty were in secret, and there was only a 48-hour gap between its publication and its agreement at the European Council meeting in Brussels in June. We were told in the run-up to the treaty's publication that the public had to be involved and that parliamentary scrutiny was essential. The need for openness and transparency and the public's right to know were reasserted in a series of conclusions from

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successive European Councils. They did not mean it, and those things did not happen. It all took place in secret. The public were not supposed to know what was going on or to scrutinise what happened in those negotiations.

The result is a treaty that, in all material respects, is the same as the failed constitutional treaty. The hon. Member for Huddersfield said that the treaty was different because it differed in form. He said that instead of abolishing the existing treaties, it would amend them. I judge treaties and constitutions by their substance—by what is in them and by their legal effect. The hon. Gentleman ignored the clear conclusion of two Select Committees that, in all material respects, the two documents were similar, if not the same. We have a treaty that is the same in substance as the constitutional treaty. I see the hon. Member for Linlithgow and East Falkirk (Michael Connarty), the Chairman of my Committee, shaking his head, but I remind him of the Committee's conclusion:

"Taken as a whole, the Reform Treaty produces a general framework which is substantially equivalent to the Constitutional Treaty."

The Foreign Affairs Committee said:

"We conclude that there is no material difference between the provisions on foreign affairs in the Constitutional Treaty which the Government made subject to approval in a referendum and those in the Lisbon Treaty on which a referendum is being denied."

Two Select Committees with Labour Chairmen and Labour majorities unanimously concluded that the documents are the same in substance.

Of course, it is true that the Government did not want the treaty. I listened to day after day of speeches and amendments during the Convention on the Future of Europe. The Government representative tabled 295 amendments in total, which I have in my hand. The Government have refused to publish that list. It is very difficult to get hold of it—one has to trawl through European websites and separate out all the amendments tabled by the other 105 delegates to the Convention, but we have done that and there were 295. Of those, 33 were accepted on such epic matters as changing "common market" to "internal market" and changing the reference to member states' "internal law" to read "national law". On matters of trivia, the Government tended to win, but on substantive matters they lost time and again. The Government are defending a treaty that they did not want. They certainly did not want the substance of it.

The treaty is indisputably constitutional in character. It provides for a division of powers and does so on terms that are entirely favourable to the EU. I agree with what the hon. Member for East Antrim (Sammy Wilson) said in his powerful speech about the irreversibility of the process. Once we give away those powers, we will never get them back. British history is a long struggle to get powers under the control of those who are accountable to the people. Many wars have been fought to achieve that, and here we are giving those powers away in a treaty. It defies belief that a free Parliament should do that without losing a war.

The treaty explicitly asserts the supremacy of EU law. That cannot be found in the existing treaties. This treaty repeats and writes down the self-interested case law of the European Court of Justice. It is a major advance for the ECJ to have in a treaty what it has up to now only asserted in its own case law.

The treaty also creates a self-amending procedure through the so-called ratchet or passerelle clauses so that in future it can transfer more powers away from national Parliaments and member states up to the EU without the need for the traditional intergovernmental conference, parliamentary legislation or referendums. Those at the top of the EU in Brussels have decided that they will never again ask the people what they think. They have dismissed the people and given those powers to themselves.

The treaty creates a Union that is all-powerful but politically weak. It is a hollow institution because it lacks popular allegiance and legitimacy. The reason for that is fundamental. Europe is not a single political entity on which democracy can operate. There is no European public opinion, as such. There is no single European electorate and no language of Europe. There is no shared political experience. In short, there is no demos on which democracy can operate. People obstinately identify with their own country where voting is concerned. Of course, we can build upwards on that: if we have a vibrant national democracy in Europe, we can co-operate on that solid foundation to tackle common problems.

We on the Conservative Benches are the internationalists. We believe in countries, Governments and people getting together to tackle common scourges and the problems of the world, but the process must be built on a solid foundation: it must arise from below, whereas the EU method is top-down. The EU wants to be the dominant law-maker and we have to accept it. That has happened despite all the effort and money spent on trying to create a European political identity.

The failure to do so is shown by the fact that the loss of democracy at national level, hollowed out by the relentless upward transfer of powers, is not being replaced by democracy at European Union level. The attitude of voters towards the European Parliament, which frequently boasts that it is the repository of the democratic impulse in Europe, shows that the reverse is happening. The Parliament has demanded and been given more powers in every treaty. It says, "Give us the powers and people will see that we are important. They'll come out to vote and we shall express the popular will of the peoples of Europe." It has not happened. In 1979, an average of 69 per cent. of the EU electorate voted in the first European election. In the next election, the figure dropped to 65 per cent. and thereafter to 64, 58 and 53 per cent. In the most recent European Parliament election, the percentage of the people of Europe who voted dropped to 48 per cent.

The electorate either say no in referendums or "We couldn't care less" in elections. They certainly never regard themselves as democratically represented, in any real sense of the word, in the European Parliament. In the treaty, we are suppressing democracy at national level without replacing it at EU level. The democratic deficit, which is already yawning, is set to grow worse.

The treaty does something else, and it does it specifically to the UK. It locks us into a continental system that is in defiance of our historical experience, outlook and pattern of trade. The UK is of course in part a European continental country; we are anchored offshore but we are geographically part of Europe. That

is a magnetic force that operates on us, and much of our history has been bound up with what happened elsewhere in Europe, but we are more than that. We are what General de Gaulle called a maritime country. That other magnetic field operating on us is a result of our historical experience as part of the Commonwealth, part of the English-speaking world—sometimes called the Anglosphere—and part of areas of the world that are showing greater dynamism and higher economic growth.

The treaty tries to switch off that maritime global magnetic field and suck us irreversibly into a continental destiny. That is doing grave damage not only to us but to people all over the world to whom we have responsibilities. Like many Members, I am interested in development policy, in helping the poorest people of the world through aid and trade, but the process is hindered, not helped, by the fact that we have no trade policy. There is much to do with aid in the treaty, which states that aid is to be made part of the foreign policy of the EU. However, the provision that until now explicitly required the EU to give most of its attention to the most deprived is removed from the treaty. Rather than gaining power to help the poorest in the world, we are losing it.

African countries that want to trade with the UK have to go in supplication not to us, because we no longer have a trade Department, but to the European Union with its protectionist attitudes. It is a disgrace that the world's fifth biggest economy cannot set its own trade policy even when we want to help the poorest people in the poorest countries.

As I have said, the treaty is not reforming; it is constitutional. Although it is complex, it can be reduced to a simple fact: it is about transferring powers from those whom people have elected and can get rid of, to those whom they have not elected and cannot get rid of. Our global role is our strength, but we are being forced to choose a low-growth continental system that is old-fashioned, centralised and regulatory.

There is only one final conclusion: regardless of whether I am right or wrong, it must not be me, or the House, that makes the final decision, because ultimately it is not our powers that we are dealing with, but those of the people who send us here. I am not one for regular or continuous referendums, as I believe in a representative democracy, but when the rules of the game are altered, and big decisions are made about who governs us and where we are governed from they must be made not by politicians but by the people. The rules are now altering. We are exporting powers of unprecedented scope on an unprecedented scale. That is why all of us must keep our promise to ask the people what they think in a national referendum.

Several hon. Members *rose—*

Mr. Deputy Speaker: Order. There is limited time before the wind-ups, and there are five hon. Members seeking to catch my eye. I shall have some regard to whether hon. Members have been here for the entire debate.

8.51 pm

Mr. Peter Lilley (Hitchin and Harpenden) (Con): For me, the key issue raised by the Bill is not Europe, but integrity. I took part in the debates because I was shocked at the suggestion that Members should betray the pledge and promise that they made to their electors in their manifesto, and I wanted to know what they had to hide. I moved from shock to concern, and then to anger and shame. I have never been so ashamed of this place as when I saw 300 Members of Parliament betray a pledge on which they were elected.

The pledge for a referendum may have been unwise, unnecessary, or unmerited by the substance of the treaty. The proposed referendum may have been on the wrong question. However, the pledge was given, and I am old-fashioned enough to believe that when one makes a pledge, one should keep it. Comparisons between the Lisbon treaty on the one hand, and the treaties of Nice, Amsterdam and Maastricht and the Single European Act on the other, are irrelevant. The only comparison that matters is that between the European reform treaty before us and the constitutional treaty in respect of which the pledge for a referendum was given.

The author of the constitution says that the constitutional treaty is substantially the same as the Lisbon treaty, but we are told that we must not believe him. The Chancellor of Germany, Mrs. Merkel, says:

> "The substance of the constitution is preserved. That is a fact."

We are told that we must not believe her. The Prime Ministers of Spain, Belgium and Ireland say as much, but apparently they are lying, too. Ministers of Denmark, Italy and the Czech Republic have said the same, but Members on the Government Front Bench tell us that they are not to be believed. How the Government get on with their partners in Europe I do not know. Lithuania, Slovenia and other countries have said the same, too; all of them are apparently not to be trusted. We are to hand power to them, but we are not to believe them.

I prefer to believe those who have no particular reason to lie than those who have every reason to mislead. Even the European Parliament passed a motion that

> "welcomes the fact that the mandate safeguards the substance of the Constitutional Treaty".

The European Commission, which the right hon. Member for Leicester, West (Ms Hewitt) hopes to join—she gave us her job application earlier today—said that the treaty was essentially the same as the old constitution. I am not surprised that she is walking out of the Chamber. I understand that she intends to leave this place for another. No one has offered any coherent explanation why all the people, Heads of Government, and institutions that I have mentioned should want to deceive us, so we must assume that they are telling the truth.

The British voters must put their faith in another place to force this House to think again. The Salisbury convention states that their lordships will not reject legislation implementing a clear manifesto commitment. By the same token, they surely must not accept legislation that fails to implement a clear manifesto pledge. I appeal to their lordships, not least those on the Cross Benches and the Bishops Benches, and to the people of great integrity on the Labour side and on the Lib Dem Benches to think whether it is not their duty to uphold the integrity of Parliament and give this House the chance to think again.

[Mr. Peter Lilley]

Those in that House may think the pledge should never have been given. They may think it unnecessary or unwise. That is not the issue. It was given and it was in everybody's manifesto. Surely they should refer it back so that we can at last uphold the promises that we made.

Referendums apart, is the treaty necessary or desirable? The Government say that it is essential for the smooth working of the EU. That is patently not true. The EU has worked smoothly since the accession four years ago. A study by Sciences Po in Paris shows that the EU is adopting new rules and regulations 25 per cent. more quickly since enlargement than it was before. Rejection would simply leave us with the status quo, and the status quo shows every sign of working perfectly reasonably. Moreover, we would not have to concede further competences to the EU.

The Government and their Lib Dem lackeys say that rejection would be tantamount to leaving the European Union. If we rejected the treaty, we would be throwing ourselves out. Again, that is patently not true. The French and the Dutch people rejected the constitution, which the Government and the Lib Dems pretend was far more substantial than the treaty, and no one suggested that they should leave the Union. It would simply result in another round of negotiation if our partners in Europe really wanted to push ahead with the treaty.

We surely would also be able to obtain the concessions—the very substantial concessions, we are assured by the Government and the Lib Dems—that the French and the Dutch obtained as a result of their rejection of the original constitution. Ministers and a number of hon. Members who have spoken in the debate allege that we on this side of the debate—not on this side of the House, because Members in all parts of the House argue the points that I am making—exaggerate the implications of the treaty and have exaggerated the implications of previous treaties. I wish that were so, but the reverse is true.

We—including Governments of whom I have been a member—always underestimate the implications of treaties that we agree to, because we can never foresee how the European Court of Justice will interpret a treaty that we pass. All we know from experience is that it will always expand competences more widely than originally anticipated. My own experience confirms that. My first role in Government was as Economic Secretary, and the first thing I had to do was implement a decision of the European Court of Justice that we had to apply VAT to building, electricity, water, homes and spectacles. It was an interpretation of the sixth VAT directive, passed in all good faith by the Labour Government back in the 1970s, which none of us had foreseen would extend VAT into previously zero-rated areas.

We assured everybody that the zero rates were safe and secure. It was the first time, as I remember telling the House with some relish, the House has ever been required to pass a tax and given no option not to do so since the ship tax introduced by Charles I sparked off the civil war. I am glad to say that the measure did not have the same impact when I introduced it, and I gave my officials instructions that they were to introduce it in such a way as to raise the minimum amount of revenue possible. It was the first time they had ever been told to introduce a tax with that effect.

Mrs. Villiers: Does my right hon. Friend agree that one of the main reasons the treaty is such a significant shift in power is the criminal justice provisions? Criminal justice and the coercive power of Government over individual is one of the fundamental hallmarks of statehood, so transferring more power in that area to Brussels is a significant constitutional shift.

Mr. Lilley: That is perfectly true. It is one of the areas, but by no means the only one, where we are making further shifts the full extent and implications of which we cannot fully judge at this stage but know from experience will be wider, not narrower, than any interpretation that we can put on them at present.

How will all this affect the daily lives of our constituents and the ordinary business of their businesses? There will be ever more of the sort of thing that we already see as the result of existing transfers of competences. Some of that is necessary. I supported our entry into Europe and I still support our membership—I simply want reform, not exit. In that respect I seem to be rather different from several Members who opposed original entry because they thought that it went too far but now want to go infinitely further—a position that I find hard to understand.

People already find it irritating how measure after measure is imposed on them and how they are told, if they ask, that it is because of the European Community. About 20 minutes before this debate, I asked the Library what measures had recently been passed in this House under European legislation. Since last October, there have been some 44 statutory instruments and three primary Acts of Parliament. They covered subjects such as energy and building performance certificates and inspections—the famous home information packs, which increase the cost of buying a house. The Government did not want that measure—it was imposed on us by a statutory instrument that this House had no opportunity to turn down because it came under the transfer of competences and European law. Other subjects include patents, compulsory licensing and supplementary protection certificates, movement restrictions, foot and mouth disease, reinsurance, and radioactive contaminated land in Northern Ireland. Why only Northern Ireland? I do not know. The list goes on, from animals and animal products, to health and social care profession regulations, to asylum procedures and regulations—an issue where we are going to increase the powers of the European Community. Not a single line, clause or amendment on the provisions involving asylum, border controls and immigration was debated in the House, yet the Government are asking us to accept them.

Many measures are already being passed, but for some reason there is a conspiracy of silence when they do come through this House. Ministers pretend that what is happening is of their own volition when it is not. They act as ventriloquists' dummies for the legislation and the powers that they have transferred to other places. It is time that we revealed to our constituents what powers have already been transferred and why we do not want to transfer any more.

The Foreign Secretary ridiculed the idea that the energy measures in the treaty have any substance, but

they ensure that security of energy supply in the Union can be voted on by qualified majority voting. The Government say that the right of member states to determine the conditions for exploiting their energy resources requires unanimity. So it does, but that is not the same as the allocation of oil and gas once it has been produced, which remains under qualified majority voting. In other words, if there is a worldwide shortage of oil and gas—as happened during the Suez crisis, the OPEC embargo, the Iranian crisis, and on several other occasions—we would be vulnerable to the European Community deciding that oil and gas should be shared fairly across the whole Community. My right hon. Friend the Member for Suffolk, Coastal (Mr. Gummer) said that the process would be reciprocal. Of course it would—we would share the oil and gas that we have with others and they would share the oil and gas that they do not have with us.

Angus Robertson: A bit like fishing in Scotland.

Mr. Lilley: Very much so, but at least we share that and the money that comes from it. Certainly, we would never prevent the Scottish people from enjoying adequate supplies of oil and gas; I can assure the hon. Gentleman, who has become almost a friend in the course of these debates, of that.

My constituents are worried, too, about the implications for asylum and immigration, which is a significant issue. We were told by the right hon. Member for Leicester, East (Keith Vaz) that he did not think that the new treaty would have any implications in that regard, but article 77 says:

"The Union shall develop a policy with a view to:

(a) ensuring the absence of any controls on persons, whatever their nationality, when crossing internal borders".

In the theology of the European Union, "internal borders" includes all our ports of entry through which people come from the continent. If this treaty is implemented and adhered to, we will not have any powers to make checks, even on non-EU nationals, entering our ports and airports, even though it is sensible and practical for an island to take advantage of its nature and operate checks at its borders, rather than waiting until people have got inside to do so.

Why does this treaty arouse more concern in this country—as was the case with previous treaties—than it has in many continental countries? I spend such free time as this House allows me, which is not a great deal, in my home in France. I am a great Europhile, as the Minister for Europe knows. I have worked in a lot of continental countries, and I was the chairman of a German company with interests throughout Europe. When I talk to my friends on the continent, they often ask, "Why are you more concerned about these things than we are?" The simple reason is that the United Kingdom has greater differences and idiosyncrasies than almost any other member does vis-à-vis the generality of the Community.

We have a different history and a different geography. We are an island. We have different institutions. Our institutions and our structure of law have tended to evolve over time, rather than be the result of invasions or revolutions that have swept away past institutions. We have never been occupied. We have not had a revolution for several hundred years. We were not subjected to Napoleonic laws, as my right hon. Friend the Member for Wells (Mr. Heathcoat-Amory) said. We have a maritime disposition, rather than a continental disposition. We are Anglo-Saxon in character and in a lot of the things that we do, and that includes the Celts.

Angus Robertson: No, it doesn't.

Mr. Lilley: It does genetically, when one looks into the matter closely.

The continentals often express themselves in antagonism to the Anglo-Saxon. I remember sitting in Council meetings in Europe and being told that we could not do such and such a thing because it was Anglo-Saxon. I had to say, "Is that sort of racialism allowed in Europe? Can you rule me and my policies out on racial grounds?" They more or less said, "Yes it is, and we can."

There is a difference of attitude, not because what we do is better, but it is simply different. We have different institutions. When it came to negotiating the banking directive, we found that we had discount houses. No one else in Europe had them. The directive, as originally written, would have wiped out our whole system of monetary management and control. Fortunately, we managed to gain an exemption from it. When I became responsible for occupational pensions, I was told that they were not part of a European competence, but we found that they were under a great threat of implications because no other country except Holland had any system of occupational pensions. They fell foul of all sorts of European regulations.

In lots of practical areas, we have developed different ways of doing things, and when we try to harmonise them across Europe, problems are created. I repeat: that is not because what we do is better—it is simply different. Therefore, it is natural that we should want to concede as few powers, and competences, as are necessary to have an open, single internal market and allow the maximum degree of constructive co-operation between our Governments. In my contention, this treaty goes far further than that. It concedes powers, and does so in such a way that we will not readily be able to get them back.

Edmund Burke said:

"Though a king can abdicate for his own person, he cannot abdicate for the monarchy."

This place can transfer its powers perhaps for the duration of one Parliament, but it should be wary of trying to abdicate them permanently. It should certainly not do so without a referendum. That referendum was promised; unless and until it is provided, the treaty should not pass.

9.9 pm

Mark Lazarowicz (Edinburgh, North and Leith) (Lab/Co-op): The closing remarks of the right hon. Member for Hitchin and Harpenden (Mr. Lilley) illustrate the approach of many Conservatives. They suggest that the EU and its institutions are some sort of behemoth or monster over which we, as a member state, a Parliament and a country have no influence. The extreme example of that position is the right hon.

[Mark Lazarowicz]

Member for Wells (Mr. Heathcoat-Amory), who, in one of his speeches, described our relationship with the EU as colonial.

The EU and its institutions do not impose things on us about which we have no say. We play an active role in the organisation. We send Ministers to European institutions and the European Council. We nominate members of the European Commission and our citizens can vote for Members of the European Parliament. Member states nominate judges of the European Court by common accord. It is not a foreign organisation but one in which we have the right to play an active part and over which we jointly have control as a member state.

The treaty tries to strengthen the ability of the organisation and the institutions that we have jointly established to pursue more effectively the policies about which we can agree with our partners in Europe. It is in the national interest of all the nations and regions in the UK to make Europe work as effectively as possible. Although I do not have much faith that that is what will happen after our discussions and after the House of Lords—hopefully—agrees to ratification, we should do our best to make the most of our EU membership and reject the semi-detached relationship with the EU that Tory Front Benchers appear to support when they do not go as far as succouring their hard-liners, who want to find some way in which to create a confrontation that takes us out of the European Union.

Playing an active part in Europe does not mean that we should not stand up for our national interests. It does not mean that we should not challenge failings in the European Union or challenge it about revelations regarding the operation of the European Parliament and the expenses of Members of the European Parliament. It certainly does not mean that we should establish a European super-state—I do not support that and, to put it bluntly, it could never happen, given the 27 member states and many nations and cultures that make up the European Union.

However, playing an active part means that our approach to our European partners and to discussing European issues should not always be couched in terms of confrontations with Europe, whereby success is measured by how much we have managed to extract from those cunning people across the channel. I hope that, when we have gone through the reform treaty process here and in the House of Lords, we will concentrate our efforts on making friends and building alliances in Europe. That is the way forward for promoting our national interests and guaranteeing the jobs and prosperity that depend on our links with Europe.

The European Union is a success story. The fact that 27 members states, representing so many nations, cultures and languages, have built up the institution; that regional blocs across the world talk about emulating the European Union; that countries are clamouring to get into the European Union; and that, with one tiny exception, no country wants to leave—all that reflects the success of the European Union. I support the ratification of the treaty. From now on, I hope that we can concentrate more on promoting not only the success of Europe, but an active dialogue with our European partners and the building of alliances within Europe to promote the interests of the nations and regions of our country.

9.15 pm

Mr. Mark Francois (Rayleigh) (Con): I am pleased to have the opportunity to sum up for Her Majesty's Opposition on this important Bill. It may surprise hon. Members to hear that I am going to miss this process. I will miss listening to the Foreign Secretary's speeches. In particular, I will miss further contributions from my right hon. Friend the Member for Richmond, Yorks (Mr. Hague), the shadow Foreign Secretary. He has led us very ably throughout the process. He has combined precision, determination and good humour. It was the Foreign Secretary who generously said at the beginning of this Third Reading debate that my right hon. Friend was one the best debaters in the House of Commons. On that point, I agree with the Foreign Secretary, even if I have agreed with him on virtually nothing else.

I will also miss sparring with my opposite number, the Minister for Europe. Even though we have disagreed strongly on a number of occasions about the implications of the Bill and the treaty that it would enact, I accept that he has acted throughout with courtesy and good humour. He has loyally stuck to the Government's hackneyed line that the constitutional concept has been abandoned, even after the Prime Minister referred to the Lisbon treaty last Wednesday at Prime Minister's questions as "the constitutional treaty". When even one's ultimate boss admits that something is a constitution, it is difficult to plough on, but the Minister has stuck loyally to his brief.

I will also miss the Chairman of the European Scrutiny Committee and his oft-quoted report, which has become almost the standard text for our debates. That report reminded the House that the EU constitution and the Lisbon treaty are "substantially equivalent" and that to argue otherwise is, in the words of the Committee—a Labour-dominated Committee—"misleading". The Committee also highlighted how whole swathes of the original EU constitution were brought forward into what is now the treaty of Lisbon. That case was argued so strongly that *The Economist* subsequently described the Government's case—that the two documents are really quite different—as "a farce".

I am also grateful to Chairman of the European Scrutiny Committee for reminding the House so eloquently on the "Today" programme that the Government's much-vaunted red lines would "leak like a sieve". That bears repetition because it was so accurate.

Michael Connarty: The quotation that the hon. Gentleman is always using came at the end of a long contribution about the red lines. Did he subsequently read that the Government's argument was that by getting protocol 10 to article 10, the red lines would not leak like a sieve, but would be transposed and given away, as they opted in again and again? There would not be a process of accidental filtration, but a process controlled by the Government and, I hope, by the House.

Mr. Francois: I hear what the hon. Gentleman says, but the moral of the story is, "Be very careful what you say on the "Today" programme, in case it comes back to bite you."

I would also like to pay tribute to a number of stalwarts on the Conservative Benches who have held the Government to account night after night. Of course I must mention my hon. Friend the Member for Stone (Mr. Cash), but I also include my right hon. Friend the Member for Wells (Mr. Heathcoat-Amory), my hon. Friends the Members for Hertsmere (Mr. Clappison), for Wellingborough (Mr. Bone) and for Forest of Dean (Mr. Harper), and others who have been in the House so frequently to press the Government on what they are trying to do.

I must also pay tribute to Valéry Giscard d'Estaing, who has played such a frequent part in our proceedings that at one point I started to believe that he had been elected to the House. So that we do not leave him out of this Third Reading debate, I should like to remind the House of what he said so candidly in *Le Monde* about the similarity between the original EU constitution and what is now the treaty of Lisbon. He predicted:

"Public opinion will be led to adopt, without knowing it, the proposals that we dare not present to them directly".

I am particularly indebted to the former President, as that is an excellent summary of the Government's whole strategy on this benighted Bill.

In lieu of the referendum that they solemnly promised in their manifesto, the Government promised the House detailed line-by-line scrutiny of the Bill and the treaty—but having done that, they deliberately set out to make that practically impossible. To begin with, they briefed the media that there would be 20 days of debate in the Commons, then restricted the debate to 14 days instead. Although they like to compare that to the time allocated to debate the treaties of Amsterdam and Nice, they somehow always forget to mention that the Maastricht treaty was debated for 29 days in the House of Commons—more than double the time allocated to the debate on this treaty. And as my hon. Friend the Member for Aldridge-Brownhills (Mr. Shepherd), who has also spoken powerfully, pointed out again and again, at the time of Maastricht, the parliamentary day was often much longer than it is now.

The Minister for Europe (Mr. Jim Murphy) *indicated dissent.*

Mr. Francois: The Minister does not have to take my word for it; he can ask my hon. Friend the Member for Stone, who I am sure will remind him.

Just in case the days that did remain might be used to their disadvantage, the Government then invented a new way to debate treaties of this nature, with special "themed" debates, designed to restrict the time available at the end of each day for detailed scrutiny of specific amendments. Under to that methodology, clause 4 was debated for fewer than 15 minutes and clause 5 was never debated in detail at all. Similarly, more than half the groups of amendments selected for debate during the Committee stage—15 groups out of 29—were never even reached.

I have here a leaked copy of the Government's briefing for tonight's debate. It states:

"Tory claims that we have not allowed enough time for debate are wrong...315 amendments"

were

"tabled including 279 by the Opposition".

Amendments may have been tabled, and some may have been selected—but they were not debated, because the debates were rigged to prevent that. The detailed amendments on borders, visas, asylum, migration, defence, the free movement of workers, freedom of association, personal data and social policy were never even debated at all. That is why Mr. Simon Carr of *The Independent*, who has followed this issue closely, said of the whole process:

"It's been a shabby affair. Low, dishonest and shabby."

He then went on to argue—[Hon. Members: "Where is he?"] Simon Carr has been in the Press Gallery more often than some Members I see now in the Chamber. He added:

"This treaty strategy is Gordon Brown's personal creation, this is his specified treatment of Parliament, and visible to all is his definition of politics as cynicism in action."

Despite all the protestations about allowing ample time for debate and facilitating line-by-line scrutiny, when it actually came to it, the debate was deliberately rigged to make that almost impossible. The Government just could not abandon their control-freak tendencies and had to restrict debate on the treaty—an important point, which I sincerely hope will not be missed in the other place.

Crucially, as the Bill goes to the other place, it still carries within it, in clause 6, provisions to implement article 48(6) of the treaty—the new "simplified revision procedure". That is the ratchet clause, which means that in future individual vetoes could be surrendered for ever, after only a brief debate on a simple Commons motion. On Second Reading, we said that we would table amendments during the Committee stage to strengthen parliamentary control over that procedure, so that giving up any veto could not be done through a simple motion, but only via a specific Act of Parliament.

Although our amendment No. 20 to that effect was not successful, on the night it did enjoy support from Members of virtually all parties in the House, including Labour, the Scottish nationalists, Plaid Cymru, the Democratic Unionist party, ably represented tonight by the hon. Member for East Antrim (Sammy Wilson)—and even, on that occasion, the Liberal Democrats. I hope that the other place will consider the content of the amendment especially carefully. Perhaps it will be minded to implement the amendment, particularly given that it would not wreck the treaty itself, but would strengthen control over how the ratchet clause might be used in future.

Mr. Cash: I congratulate my hon. Friend on his speech. May I also express the hope that maximum pressure will be exerted through the Whip in the other place to guarantee that we fight the battle in the House of Lords every bit as effectively as we have in the House of Commons, without coming to any shabby compromises?

Mr. Francois: I thank my hon. Friend for his acknowledgement that our battle here has been effective. I think that the key question has to be what the Liberal Democrats will do in the upper House. We wait to find out the answer to that question.

We also debated the referendum last Wednesday, and I do not propose, Mr. Deputy Speaker, to reprise the whole debate again. However, the Foreign Secretary's case against the referendum veered from one position

[Mr. Francois]

to another with all the consistency of a series of Liberal Democrat "Focus" leaflets. He was finally reduced to arguing that a referendum was originally promised in order, as he put it that night, to "clear the air". Well, I put it to him that if it was appropriate to clear the air then, why can we not clear the air now, and give the people the referendum they were promised?

That brings me on to a fundamental weakness in the Government's whole argument throughout the passage of the Bill. If they are so confident in the treaty and believe that it is such a good deal for the people of this country, and if they contend that it is so markedly to our advantage, why do not they not have the courage of their convictions and go the people of this country to argue the case in a referendum debate—not least because they promised it in the first place?

As my right hon. Friend the shadow Foreign Secretary previously indicated, we shall table a referendum amendment in the other place, where the battle to give the people the say that they were promised will continue—and continue vigorously. Even ardent pro-Europeans must realise that the way in which this whole process has been conducted has done little, if anything, to advance their cause. In fact, it has done quite the reverse. The public may not have followed all the intricacies of the debate, which is exactly what the Government hoped, but they do know that they were promised a referendum, which they have so far been denied.

There was considerable press comment in the aftermath of last week's vote, but I was particularly struck by an article by Camilla Cavendish in *The Times* on 7 March. It was entitled "A squalid exercise in dishonesty", and she noted:

> "The powers that our politicians are giving away are powers that they hold in trust for the people. Some of those who voted on Wednesday sincerely believe the EU and were voting on principle. But many more simply found it expedient not to know too much."

She went on to argue:

> "Historians may relish the irony that so much now rests with Irish voters in their referendum and with unelected Lords. Let us hope that the Lords debate is more honest."

From the Conservative Benches, we certainly hope so, too.

If the House grants the Bill a Third Reading tonight, it will fall to the other place to apply what my right hon. Friend the Member for Richmond, Yorks has previously described as the "Salisbury convention in reverse". It will fall to the unelected peers to hold elected Commons Members to the promise on which they were elected to Parliament in the first place!

I have sat through every single debate on this treaty, and I have contributed to just about every one of them. Having done so, and seen this process in action, I believe that the only type of victory that the Government can hope to win tonight is a pyrrhic one. I believe that this remains a treaty without a democratic mandate; it lacks public support, and it lacks any endorsement by the people. When people were given a chance to vote in 10 constituency referendums, 88 per cent. argued for a referendum on the constitution. There is now only one way for the Government to legitimise this treaty in the eyes of the people—finally to have the courage of their convictions, to abide by their own manifesto, and to let the people decide.

9.29 pm

The Minister for Europe (Mr. Jim Murphy): We have had a fascinating debate, not least because of the contributions made by my hon. Friends the Members for Huddersfield (Mr. Sheerman) and for Linlithgow and East Falkirk (Michael Connarty), my right hon. Friend the Member for Leicester, West (Ms Hewitt) and my hon. Friend the Member for Edinburgh, North and Leith (Mark Lazarowicz).

I have to say that I have been looking forward to this evening since the afternoon that I became Minister for Europe. As I left No. 10, the Prime Minister said to me, "As Minister for Europe, you will have some legislation to take through Parliament." Little did I know what he had in mind for me.

We have enjoyed the contributions from and the detail provided by the hon. Member for Rayleigh (Mr. Francois). We have disagreed in almost every debate throughout our proceedings, but we have done so—I hope he does not mind my saying this—in a comradely fashion. The hon. Gentleman introduced Bob Crow to our proceedings on Second Reading, so a comradely fashion it is.

We have also enjoyed the contributions from the right hon. Member for Richmond, Yorks (Mr. Hague), the shadow Foreign Secretary. I have said before that he is the best after-dinner speaker in Parliament. After listening to him, I have come to the forlorn conclusion half a dozen times during this process that I will have to get an invitation to one of his after-dinner speeches to hear the detail of his policies.

I would also like to thank my right hon. Friend the Foreign Secretary for his leadership and the way he has led the debate on each big parliamentary occasion. We have also heard forensic contributions from my hon. Friend the Member for Wolverhampton, South-West (Rob Marris) and my right hon. Friend the Member for Leicester, West, who—apart from me and the hon. Member for Rayleigh—are about the only constant attendees of our proceedings.

We have had the opportunity to hear from my hon. Friend the Member for Ilford, South (Mike Gapes), who chairs the Select Committee on Foreign Affairs, and my hon. Friend the Member for Linlithgow and East Falkirk, who chairs the Select Committee on European Scrutiny. Typically, both are in their places tonight. I have also had support from an excellent team—Parliamentary Private Secretaries, Whips and the Bill team.

We have heard a variety of contributions today. I have to admit that, for the first time, I was not in my place to hear the hon. Member for Stone (Mr. Cash).

Rob Marris: You have heard it all before.

Mr. Murphy: I have heard it all before, but not today. The hon. Member for Stone has made a fifth of all interventions and speeches in our proceedings. That is testament to his dedication; it just seemed like many more than a fifth, on occasion. Earlier this afternoon, I missed what I think was his 214th intervention. Although there are only about 13 minutes to go, I am certain that there will be a 215th.

Mr. Cash *rose—*

Hon. Members: Hooray!

Mr. Murphy: I give way to one of Europe's great unreformed institutions.

Mr. Cash: My advice to the Minister is, don't hold your breath.

Mr. Murphy: We also heard from the right hon. Member for Wells (Mr. Heathcoat-Amory), who made a passionate speech and has paid great attention to our proceedings throughout. He spoke about the fact that he has only an occasional affection for referendums, which is obviously the case on examination of his record as Deputy Chief Whip during the Maastricht process—but I do not want to dwell on that this evening. Following the Maastricht treaty process, and unbeknown to me until this afternoon, someone with a delicious sense of political irony gave the right hon. Gentleman his next Government job: Europe Minister. The ghost of his Euro-enthusiasm and Euro-optimism still haunts the Foreign and Commonwealth Office.

We also heard from the right hon. Member for Hitchin and Harpenden (Mr. Lilley). Again, the trend of remarkable ingenuity in our debates was followed. As I said some days ago during our proceedings, the hon. Member for Stone quoted an historic parliamentary debate and a speech—by himself—as a source of reference. My hon. Friend the Member for Linlithgow and East Falkirk did the same thing by proxy, quoting the right hon. Member for Wells quoting him. This evening we had another passionate speech by the right hon. Member for Hitchin and Harpenden, who went one step further in our proceedings. Not only did he quote himself, which has become the new fashion—a fashion that I have not yet bought into—but, in a remarkable innovation, to make his specific point he did not quote himself from an earlier speech, saying,

"I can demonstrate that by referring to a speech that I did not give"—[*Official Report*, 6 February 2008; Vol. 471, c. 1074.]

when he was Secretary of State for Trade and Industry. A remarkable constitutional innovation! It is a first, and perhaps many right hon. and hon. Members on both sides of the House will take their lead from it in future debates.

On the specifics in the treaty and therefore the Bill—[Hon. Members: "No!"] I know. The treaty and the Bill increase the UK's share of the vote in the European Union; reduce the size of the European Commission; give greater say for national Parliaments; end the utterly ludicrous rotating presidency; improve decision making; end the external duplication; and enshrine for the first time children's rights in a European treaty. In a topsy-turvy sense of priorities, previous treaties, for whatever reason, enshrined animal rights, but not children's rights. This treaty puts that anomaly right. It also marks significant improvements in climate change and international development.

As the hon. Member for Kingston and Surbiton (Mr. Davey) said—it was foul-mannered of me to ignore not just his walk-out but his wider contribution—

Angus Robertson: What about the abstention?

Mr. Murphy: I have only a few minutes left and will not go into that.

The hon. Member for Kingston and Surbiton led with his chin on every occasion and showed that he had a great sense of the detail of the treaty. He also made a point this afternoon that I agree with fundamentally: that Europe is in our national interest. That is because it is not just about the projection of power on the international stage, but about effective influence when it comes to our relations with Russia, China, India and the wider world. Importantly, the treaty brings to an end the circular conversation about European structures and gives us the opportunity to refocus on European delivery on employment, when millions of Europeans are still out of work; on international development, when tens of millions of people are still without basic foodstuffs and basic medicines; and on climate change, which is, after all, the biggest strategic threat to our security and prosperity.

On the remarkably imprecise comments by Opposition Members, the fact is that the treaty enshrines important and fundamental changes to things on which previous treaties were silent—children's rights, human rights, climate change and international development—ensuring that those issues are, for the first time, strategic objectives for the European Union which give us the opportunity to deliver in a way that our citizens expect us to do.

The hon. Member for Rayleigh and his hon. Friends have been remarkably imprecise about what not letting the matter rest means. What does it mean? Wait and see is what not letting the matter rest encapsulates. Not letting the matter rest is a Eurosceptic slogan of a permanent opposition; it is not a European strategy of an aspiring Government.

We had a stark reminder of that yesterday. The Foreign Secretary and I had the opportunity to travel to Brussels for one of our regular meetings of all the Foreign Secretaries and European Ministers across the 27 member states of the EU. Among the issues that we discussed were Zimbabwe, climate change and how to deliver on jobs and economic growth—some of the big issues contained within the treaty and enabled by the Bill. Gathered in that European meeting were the great democracies of Europe—the 27 Governments on the left, right and centre of European politics—all of which are committed to more effective European delivery, seized by the importance of climate change, and aware of the pressing need to deliver further for those Europeans who are currently out of work. Each and every one of those Governments was committed to the details and the principles of the Lisbon treaty.

Rob Marris: I have twice asked the right hon. Member for Richmond, Yorks (Mr. Hague) what the Conservative party's plan would be if the Bill were lost tonight. What is their plan B for what the United Kingdom should do if the treaty of Lisbon is lost tonight? Does my hon. Friend know what the position is?

Mr. Murphy: At the minimum, the approach would thrust the European Union back into a period of introspection that would jeopardise stability and jobs across the European Union. Never mind plan B; we are not even clear about what the Conservatives' plan A is.

Mr. MacShane: Can my hon. Friend confirm that the Governments of Germany, France, Sweden, Poland, the Netherlands, Greece and other European countries are all run by conservative parties with which the Opposition have pledged to break all relations? Is this the new definition of the purpose of Her Majesty's loyal Opposition—not to oppose, but to oppose all relationships with Europe?

Mr. Murphy: It is true that the Conservative party is entirely isolated on these big issues. I said on Second Reading that every conservative Government in Europe—

Mr. Lilley: You are quoting yourself.

Mr. Murphy: The right hon. Gentleman is right—I am quoting myself—but I am quoting from something that I actually said, rather than from something that I wish I had said.

I said on Second Reading that every conservative Government in Europe and every major conservative opposition party in Europe supported the Lisbon treaty. I asked then, as I do now, which other conservative party in Europe supports the British Conservative party's opposition to the Lisbon treaty and its recipe for isolation. I will give way to any Conservative Member who wishes to answer that question.

Mr. Francois: Can the Minister explain why Mr. Peter Gauweiler of the CSU recently referred the Lisbon treaty to the German constitutional court on the grounds of his belief that it might be unconstitutional?

Mr. Murphy: A month of preparation, a month in gestation, a month of research, and that is all that the hon. Gentleman could come up with. The fact is that the great democracy of Germany and its centre-right Government are endorsing the treaty, the French Parliament has already ratified it, and the new Spanish Government are committed to it.

What would this great "not letting the matter rest" coalition look like? It has a new member: I discovered only yesterday, when I was in Brussels, that the French hunting party has now come out against the treaty. Given Sinn Fein, Marianne Thieme—who, as we all know, leads the Dutch party for the animals in its opposition to the treaty—and the now infamous Philippe de Villiers, part of the leadership of the French hunting party, we have three allies to fill this great chamber of Europe. That still leaves 23 empty seats for the great European coalition of international Governments.

Michael Connarty: I was enthralled by my hon. Friend's list of supporters of the Conservative position, but he forgot to mention the Democratic Unionist party. The hon. Member for East Antrim (Sammy Wilson) seemed tonight not just to argue against the treaty, but to suggest that his party would vote for withdrawal from the European Union.

Mr. Murphy: My hon. Friend has made his own point, pretty fairly.

So there are still 23 unfilled European isolationist chairs in this great chamber. There are not enough unreconstructed communist parties in Europe to fill them all. Let us leave the isolationism of the Dutch animals, the French huntsmen and the British Conservatives to one side. After all, it is a victory of ideology over our national interest. I urge my hon. Friends to reject it, and I commend the Bill to the House.

Question put, That the Bill be now read the Third time:—

The House proceeded to a Division.

Mr. Speaker: I ask the Serjeant at Arms to investigate the delay in the Aye Lobby.

The House having divided: Ayes 346, Noes 206.

Division No. 122] **[9.44 pm**

AYES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Bailey, Mr. Adrian
Baird, Vera
Baker, Norman
Balls, rh Ed
Banks, Gordon
Barlow, Ms Celia
Barron, rh Mr. Kevin
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Beith, rh Mr. Alan
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman-Woods, Dr. Roberta
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brake, Tom
Breed, Mr. Colin
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, Mr. Jeremy
Bruce, rh Malcolm
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Burstow, Mr. Paul
Burt, Lorely
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Kenneth
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Cousins, Jim
Crausby, Mr. David
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Curry, rh Mr. David
Davey, Mr. Edward
David, Mr. Wayne
Davies, Mr. Quentin
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Durkan, Mark
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Ennis, Jeff
Etherington, Bill
Farrelly, Paul

Farron, Tim
Featherstone, Lynne
Fisher, Mark
Fitzpatrick, Jim
Flint, rh Caroline
Flynn, Paul
Follett, Barbara
Foster, Mr. Don
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, Andrew
George, rh Mr. Bruce
Gibson, Dr. Ian
Gidley, Sandra
Gilroy, Linda
Goggins, Paul
Goldsworthy, Julia
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. David
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Dr. Evan
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Holmes, Paul
Hood, Mr. Jim
Hoon, rh Mr. Geoffrey
Hope, Phil
Horwood, Martin
Howarth, David
Howarth, rh Mr. George
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Hughes, Simon
Huhne, Chris
Humble, Mrs. Joan
Hunter, Mark
Hutton, rh Mr. John
Iddon, Dr. Brian
Irranca-Davies, Huw
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jowell, rh Tessa
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Kelly, rh Ruth
Kemp, Mr. Fraser
Kennedy, rh Mr. Charles
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kramer, Susan
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Lamb, Norman
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Leech, Mr. John
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGrady, Mr. Eddie
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, rh Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh David
Miliband, rh Edward
Miller, Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Moore, Mr. Michael
Moran, Margaret
Morden, Jessica
Morgan, Julie
Morley, rh Mr. Elliot
Mountford, Kali
Mudie, Mr. George
Mulholland, Greg
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Oliver, Mr. Bill
Öpik, Lembit
Osborne, Sandra
Owen, Albert
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prescott, rh Mr. John
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, rh James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, Mr. Alan
Reid, rh John
Rennie, Willie
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Rogerson, Dan
Rooney, Mr. Terry
Rowen, Paul
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Bob
Russell, Christine
Ryan, rh Joan
Salter, Martin
Sanders, Mr. Adrian
Sarwar, Mr. Mohammad
Seabeck, Alison
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Singh, Mr. Marsha
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Smith, John
Smith, Sir Robert
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stunell, Andrew
Sutcliffe, Mr. Gerry
Tami, Mark
Taylor, Ms Dari
Taylor, Mr. Ian
Teather, Sarah
Thomas, Mr. Gareth
Thornberry, Emily
Thurso, John
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Vaz, rh Keith
Vis, Dr. Rudi
Walley, Joan
Waltho, Lynda
Watson, Mr. Tom
Watts, Mr. Dave
Webb, Steve
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Wills, Mr. Michael
Wilson, Phil
Winnick, Mr. David
Winterton, rh Ms Rosie
Woodward, rh Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wyatt, Derek

Tellers for the Ayes:
Mr. Alan Campbell and Liz Blackman

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Amess, Mr. David
Ancram, rh Mr. Michael
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Bacon, Mr. Richard
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Brady, Mr. Graham
Brazier, Mr. Julian
Brokenshire, James
Browning, Angela
Burgon, Colin
Burrowes, Mr. David

Burt, Alistair
Butterfill, Sir John
Cameron, rh Mr. David
Campbell, Mr. Gregory
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clifton-Brown, Mr. Geoffrey
Corbyn, Jeremy
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Davidson, Mr. Ian
Davies, Mr. Dai
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Dodds, Mr. Nigel
Donaldson, rh Mr. Jeffrey M.
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Drew, Mr. David
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Fallon, Mr. Michael
Field, Mr. Mark
Fox, Dr. Liam
Francois, Mr. Mark
Fraser, Christopher
Gale, Mr. Roger
Gauke, Mr. David
Gibb, Mr. Nick
Gillan, Mrs. Cheryl
Godsiff, Mr. Roger
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Hayes, Mr. John
Heald, Mr. Oliver
Heathcoat-Amory, rh Mr. David
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hoey, Kate
Hollobone, Mr. Philip
Holloway, Mr. Adam
Hopkins, Kelvin
Hosie, Stewart
Howarth, Mr. Gerald
Hunt, Mr. Jeremy
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Jones, Mr. David
Kawczynski, Daniel
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Laing, Mrs. Eleanor
Lait, Mrs. Jacqui
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Maclean, rh David
MacNeil, Mr. Angus
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McCrea, Dr. William
McDonnell, John
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Mundell, David
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Osborne, Mr. George
Ottaway, Richard
Paice, Mr. James
Paterson, Mr. Owen
Penning, Mike
Penrose, John
Pickles, Mr. Eric
Price, Adam
Prisk, Mr. Mark
Pritchard, Mark
Randall, Mr. John
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Angus
Robertson, Hugh
Robertson, Mr. Laurence
Robinson, Mrs. Iris
Robinson, rh Mr. Peter
Rosindell, Andrew
Ruffley, Mr. David
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Skinner, Mr. Dennis
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Steen, Mr. Anthony
Streeter, Mr. Gary
Stuart, Mr. Graham
Swayne, Mr. Desmond
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, David
Taylor, Dr. Richard
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Walter, Mr. Robert
Waterson, Mr. Nigel
Watkinson, Angela
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Noes:
Jeremy Wright and James Duddridge

Question accordingly agreed to.

Bill read the Third time, and passed.

Mr. William Cash (Stone) (Con): On a point of order, Mr. Speaker. *[Interruption.]*

Mr. Speaker: Order. Allow the hon. Gentleman to make his point of order, as he does not speak that often in the House.

Mr. Cash: I am grateful to you, Mr. Speaker. In view of the fact that the only official definition of the Mace is in the manual of procedure, to whom do I turn to establish the extent of the scrap value of the Mace this evening?

Mr. Speaker: We have a fine Mace, and it has no scrap value. It keeps its value.

DEFERRED DIVISIONS

Motion made, and Question put forthwith, pursuant to Standing Order No. 41A(3) (Deferred divisions),

That at this day's sitting, Standing Order No. 41A (Deferred divisions) shall not apply to the Motion in the name of Mr. Chancellor of the Exchequer relating to Banks and Banking.—*[Alison Seabeck.]*

Question agreed to.

DELEGATED LEGISLATION

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

Banks and Banking

That the draft Northern Rock plc Compensation Scheme Order 2008, which was laid before this House on 22nd February, be approved.—*[Alison Seabeck.]*

Question agreed to.

STANDING ORDERS (SELECT COMMITTEES)

Ordered,

That the following amendments be made to the Standing Orders:

(1) In Standing Order No. 146 (Select Committee on Public Administration), in line 2, leave out from the word 'Administration' to the word 'which' in line 5, and insert the words 'and the Health Service Commissioner for England'.

(2) In Standing Order No. 151 (Statutory Instruments (Joint Committee))—

(i) in sub-paragraph (1)(A), in line 18, leave out from the word 'any' to the end of the sub-paragraph, and insert the words 'remedial order or draft remedial order under Schedule 2 to the Human Rights Act 1998, any draft order proposed to be made under Part 1 of the Legislative and Regulatory Reform Act 2006 and any subordinate provisions order made or proposed to be made under the Regulatory Reform Act 2001;' and

(ii) in sub-paragraph (1)(B), in line 29, leave out the words 'statutory instrument made by a member of the Scottish Executive or by the National Assembly for Wales' and insert the words 'Scottish statutory instrument or any statutory instrument made by the Welsh Ministers'.

(3) In Standing Order No. 152 (Select committees related to government departments), in the Table in paragraph 2—

(i) in item 1, in the first column, leave out the words 'Business, Enterprise and Regulatory Reform' and insert the words 'Business and Enterprise'.

(ii) in item 10, in the first column, leave out the words 'Innovation, Universities and Skills' and insert the words 'Innovation, Universities, Science and Skills'.—*[Alison Seabeck.]*

Newton Aycliffe

Motion made, and Question proposed, That this House do now adjourn.—*[Alison Seabeck.]*

10.5 pm

Phil Wilson (Sedgefield) (Lab): I am extremely pleased to be given the opportunity to take part in this short debate about an important issue that affects my constituency.

For many years the regeneration of Newton Aycliffe town centre has been an unresolved issue for my constituents who live in the town. Since I was elected MP for Sedgefield in July 2007, making progress on the regeneration of the town centre has been my main focus of attention in Newton Aycliffe. Tonight, I shall report on the progress that has been made.

The whole debacle of the regeneration of Newton Aycliffe town centre stretches back not just two or three years but more than four decades. The people of Newton Aycliffe have been living with the problem for a generation, but what I shall announce this evening can, I believe, start to breathe new life into the future of the town centre. Before I outline the history of the problems with the regeneration, I shall state where we are at present and why there is room for optimism.

Over the past eight months, I have been working to resolve the ongoing problems with the regeneration project with Sedgefield borough council, Freshwater, which owns the town centre—we must not forget that it is privately owned—Durham county council, the County Durham primary care trust, the Tees, Esk and Wear Valleys mental health trust and Great Aycliffe town council. My predecessor, the right hon. Tony Blair, arranged for the involvement of those partner organisations in the project. They all sat down together at the beginning of last year and now hold regular meetings.

Over the past few years, the main sticking point has been the former health centre, whose dilapidated state is a disgrace to the NHS and an embarrassment to Newton Aycliffe. By the end of 2007, after much delay, the County Durham PCT moved its staff out of the health centre. Most are based at the primary care partnership at Cobbler's Hall in Newton Aycliffe, where they will continue to deliver clinical services on a temporary basis until the town centre is redeveloped. The mental health trust, which provides the substance misuse service, is seeking planning permission for change of use of a property in Newton Aycliffe and will be leaving the former health centre shortly.

The health centre shared its building with the library. Durham county council has found a site to which the library can move on a temporary basis. It will be sited in a demountable building on land formerly occupied by a petrol station, once the site has been cleared. The site is opposite the police headquarters so the library will remain in the centre of the town.

Next to the library is another dilapidated building, where Age Concern runs a drop-in centre for elderly people, known locally as the Cuboy. The proposal is that space be made available in the library to accommodate the elderly people who use the Cubby. Once that has been achieved—over the next few months—it will be time to demolish the building that houses the former health centre and library.

[Phil Wilson]

Last week, I received written confirmation from County Durham PCT that demolition will commence once the final moves have taken place. Freshwater has confirmed to me that Dalton way, a mothballed row of shops next to the former health centre, will also be demolished. That is excellent news and is the start of the town centre's regeneration. However, regeneration is not just about moving services into temporary accommodation; it is also about finding a permanent home for them. That is why it is planned to turn the leisure centre into a community service hub where the health centre and library will also be permanently based. The relevant partners in that aspect of the development will meet later this week to start threshing out the details. In May, public consultation will take place, led by Freshwater, which will detail its plans for the town centre development and listen to people's views. All that is good news for the people of Newton Aycliffe but I understand their frustration, because I share it. My office is situated in the town centre, at 5 Upper Beveridge way.

It is important to outline briefly the history of Newton Aycliffe to show how we arrived at a situation in which we are faced with a town centre in need of regeneration. As a result of the New Towns Act 1946, the Newton Aycliffe (Designation) Order was made on 19 April 1947 and Newton Aycliffe became one of the first wave of six new towns designated that year. The others were Stevenage, Crawley, Hemel Hempstead, Harlow and East Kirkbride. However, the birth of Newton Aycliffe is locally considered to be 28 June 1948, when Lord Beveridge cut the first sward. On 9 November, he opened the first new house. This year—2008—is therefore a special year for Newton Aycliffe; it is the town's 60th anniversary.

In the 1940s, only 60 people lived in the area that was to become Newton Aycliffe. With the advent of the second world war, the Aycliffe area was designated the perfect location for a royal ordnance factory because it was away from existing communities. At its peak, some 16,000 people, mostly women, worked in the factory. One of them was my grandmother. They worked in 1,000 flat-topped concrete and brick buildings spread over 1 square mile. The site was suitable partly because it was close to the Great North road, now the A1(M), and had a small railway station—the same station at which Robert Stephenson conducted his first train run, with locomotion No. 1, in 1825.

After the war, the ordnance factory was run down and some of the buildings were sold off to private companies. That become the nucleus of Newton Aycliffe's industrial estate, which is now the largest industrial estate in County Durham, with more than 250 companies employing between 8,000 and 9,000 people. It was inevitable that a growing industrial estate miles from anywhere would lead to the building of an urban area, and eventually a new town was proposed, with a corporation to oversee its development. The first chair of the corporation was Lord Beveridge. A friend of mine, John Moran, who has lived in Newton Aycliffe for almost 50 years, is a bricklayer and helped to build more houses in the town in those early days. He remembers Lord Beveridge visiting the building site on Crosby road one day, wearing his trilby, overcoat and that traditional building-site apparel, a pair of spats.

Newton Aycliffe was the smallest of the new towns. It was planned to cover an area of 880 acres and cater for a population of 10,000 people, 6,000 of whom would work on the industrial estate. In his 1952 pamphlet "New Towns and the Case for Them", Beveridge described the first inhabitants of Newton Aycliffe. He said that the town consisted

"largely of young married people....As a consequence the town overflows with young children, it is a town of toddlers, or those just past the toddling age; it is a town of few adolescents and up to present, only three grandmothers in its 1,000 of population."

Of the town's first 500 inhabitants, many came from all over County Durham, including such areas in my constituency as Ferryhill and Chilton. Many more travelled from Birmingham, London, Oxford, Coventry, Somerset, Scotland and elsewhere.

The town grew steadily, but had no amenities. Every school, church, community centre and doctor's surgery had to be built from scratch. The first row of shops opened on Neville parade in 1952, and boasted a post office, a greengrocer's, and a fishmonger's. The first shops in the town centre started to be built in 1957, when the population target for Newton Aycliffe was doubled from 10,000 to 20,000, so that it could reach its industrial potential. By 1959 there were 49 shops in the town centre, of which 39 were let.

At the time, a road ran through the town centre along Beveridge way, but it has been pedestrianised. Many constituents remember the town centre from those times; they say that it was vibrant and full of flowerbeds, and that it was somewhere that people wanted to go. From my understanding, the problems with the development of the town centre started in the early 1960s, when Lord Hailsham, as Minister for the North East, produced a report entitled "The North East—A Programme for Regional Development and Growth", which proposed additional industrial land for Newton Aycliffe and a new target population of 45,000. Even then the figure was seen as highly optimistic, but the corporation started to consider the future of the town centre in the light of the new target.

The development corporation's annual report of 1963 records that

"because of the possibility of the town being doubled in size there has been no further development in the town centre, apart from the completion of a large supermarket".

There were further delays while consultants prepared a master plan. A report was commissioned in 1964 but did not materialise until 1966. The plan was to build a new town centre a quarter of a mile away, and to connect the two by a pedestrian walkway. That proposal was rejected and it was agreed to expand the existing town centre.

In 1968, the Secretary of State agreed to phase 1 of the town centre's development, which provided 14 new shop units and a modest amount of second-floor office accommodation. In 1970, Darlington rural district council built the leisure centre that now stands on the corner of Beveridge way, with a £100,000 contribution from the development corporation. The centre was further extended by Sedgefield district council, the successor local authority, in 1974. In 1972, phase 2 was agreed and led to more shopping and office space.

Between the publication of the Hailsham report and the completion of phase 2 in 1975—a period of 12 years—the town centre changed, some thought, architecturally, for the worse. In his book "Aycliffe and Peterlee New Towns", Garry Philipson said that much of the problem could be attributed to

"indecision and consequent lengthy delay regarding the new towns' target population and, subsequently, the form of town centre redevelopment."

By 1980 Newton Aycliffe's population stood at 26,000. A fresh target was set the following year which envisaged a population of 32,000 in 1991, a figure dramatically lower than the 45,000 set by Hailsham. The population in 2008 is only about 27,000. In 1984 the town centre was sold off to the Grainger Trust, which in 1990 sold it to Freshwater property investors. The following year the Avenue comprehensive school was closed because of falling school rolls. The school was next door to the town centre and was demolished in the early 1990s.

It was not until 1999 that the county council agreed to sell the land to Manchester-based developers CTP. In 2000, CTP and Tesco announced a plan for a 58,000 sq ft supermarket as part of a £25 million town centre makeover. The owners of the existing town centre opposed the proposal on the grounds that the Tesco store would be too large, and integration between the new development and the existing town centre would be poor. As a consequence, there was no agreement.

The borough council agreed to go ahead with the development in two phases. Phase 1 consisted of the new Tesco store, eight retail units and a youth centre. The development was completed by 2004. Phase 2 was to include a pedestrian plaza, health centre and library and community facilities. In 2006, Somerfield supermarket closed with the loss of 63 jobs in the town centre, mostly as the result of competition from Tesco.

The agreement between Durham county council and CPT expired before the development of the second phase could start. The council stated at the time, in May 2007, that despite

"assurance after assurance . . .the development never came".

That was the view of Chris Tunstall, deputy chief executive of the council.

That is how we reached the present position, but as I said, there are grounds for optimism because things are starting to move after much pressure and after getting people to sit down and sort the problem out. Some may say that we have been here before, and we have. That is why I will continue to press hard for action rather than talk. Action is starting to happen, but my anger will match that of my constituents if the promised action is not forthcoming.

Slowly, retailers are beginning to show confidence in the town once more. A new store will be moving into the town centre in the coming months where Somerfield once had a supermarket. That may be of little comfort for my constituents in Newton Aycliffe, but criticism of town centres in new towns is not restricted to the town centre that we are debating tonight. It has been a concern for many new towns. The Transport, Local Government and the Regions Committee report "The New Towns: Their Problems and Future", published in July 2002, stated in paragraph 18:

"At the centre of New Towns, a shopping centre has been developed to meet the needs of the surrounding populations. Many have suffered from poor design and layout. Most are now out-of-date and as a result, residents are choosing to shop in other locations."

In paragraph 21, the report went on to say:

"Many of the local authorities are seeking to redevelop the shopping centres but they are hindered because they do not own them."

That is true of Newton Aycliffe town centre. Freshwater, which owns the site, however, is showing renewed commitment to the town centre's redevelopment.

In the book on Newton Aycliffe and Peterlee by Garry Philipson from which I quoted earlier, the author pointed out the fundamental problem with the development of town centre shopping. Referring to both Newton Aycliffe and Peterlee, he saw

"the reluctance of developers to invest in two small New Towns with limited prospects of growth, both sited in an impoverished region."

He wrote that in 1988.

That was then; this is now. Today, the north-east is growing at a faster rate than any other region in the country. Unemployment in my constituency is at or below the national average. Back in the 1980s, it stood at 40 per cent. in some areas of my constituency. Employment is at high levels. I read in the papers yesterday that the north-east is exporting more than it is importing, part of which, no doubt, is down to the businesses on Newton Aycliffe's industrial estate.

It is time for developers and everyone else who has the regeneration of Newton Aycliffe town centre at heart to step up to the plate and deliver. The people of Newton Aycliffe have waited long enough. Newton Aycliffe is a dynamic town, with a strong community spirit, and in 2008, the year of the town's 60th anniversary, my constituents there can look forward with confidence. All they want is a town centre that they can proudly say is at the heart of their community.

I conclude by asking the Government to consider two proposals. First, will my hon. Friend the Minister ensure that the Government's regeneration agencies work with the local authorities responsible for Newton Aycliffe to ensure that the town delivers its full potential as a sustainable community and strategic growth point for County Durham? As we approach the creation of a new unitary authority for County Durham, does he agree that that new authority has an important strategic role in delivering for the people of Newton Aycliffe?

Secondly, the Government are developing a radical policy on the creation of eco-towns—there are to be 10 by 2020. That is an excellent approach to marrying together sustainable communities and the need to tackle climate change. However, as they will be new towns, I strongly believe that the lessons of the existing new towns should be taken into consideration as plans progress. They need to be places where people can live, work and, dare I say, shop in harmony. Can the Minister tell me if the lessons, both positive and negative, from the past 60 years of new town development will be fed into the decision-making process on eco-towns?

Newton Aycliffe is a great town and one that I am personally very proud to represent.

10.20 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Iain Wright): It gives me real pleasure to congratulate my hon. Friend the Member for Sedgefield (Phil Wilson), who is my next door neighbour in parliamentary constituency terms, on securing this debate. He has been in this House for only a relatively short time but he has impressed all sides with his tenacious campaigning on behalf of his constituents in Sedgefield and his knowledge of and passion for raising the skills levels of people both in his constituency and in our wider north-east region.

I am aware that revitalising and regenerating Newton Aycliffe's town centre was a hot topic in the by-election that enabled my hon. Friend to come to this House. True to his word, he has been resolute in his promise to his constituents to raise this matter in the House. I was particularly impressed with the fact that he has also kept his constituents closely informed about this matter. I understand that he wrote to more than 1,000 people who have expressed an interest in the subject of Newton Aycliffe town centre, informing them that he had had meetings with the private owners of the centre, parish, borough and county councils, and the primary care trust. He is a strong campaigner on this matter. He demonstrated that in his maiden speech, and he did so, in an excellent fashion, here again tonight.

The Government strongly believe that facilitating and enabling town centres and other service centres within regeneration areas to achieve their potential is an important part of maximising economic growth and realising the sense of place and high quality of life that we all wish to obtain. The Government's policies and approach towards town and city centre development have underpinned successful regeneration across the country, and we now need to reflect on how we can build on that success and drive improvement and investment forward to improve still further areas such as Newton Aycliffe.

Government policy acknowledges that places are different. For example, Newton Aycliffe is different from Sedgefield village or Trimdon colliery—other parts of my hon. Friend's constituency—and will have distinctive strengths that require nurturing and challenges that need to be addressed. That can be done only with a wider, deeper and more meaningful involvement with the local communities affected. Councils can take on the role of strong and strategic local leadership, with central Government encouraging local priorities and innovation. What is also vital to appreciate, particularly when, as in my hon. Friend's case, the town centre is privately owned, is that partnership working and good, strong and mature co-ordination between private, public and community organisations, tailored to the specific area, is the best way to succeed.

My hon. Friend asked me how we could ensure that the regeneration activities work with the local authorities responsible for Newton Aycliffe to ensure that the town delivers its full potential. I absolutely agree with the concerns he expressed. He will no doubt be aware of the sub-national review, in which we propose that the regional strategy for planning—the regional spatial strategy—and the strategy for economic development—the regional economic strategy—form into a single integrated strategy. We are proposing more delegation of funding for One NorthEast as the regional development agency in our region and a new economic development duty for local authorities. That renewed clarity of roles for RDAs and local authorities will address the concerns raised by my hon. Friend. On the sub-national review, he will wish to note that we are preparing consultations on those reforms, which we will publish shortly.

I also agree with my hon. Friend's point about how the creation of a new unitary authority for County Durham has an important role in delivering for the people of Newton Aycliffe. Incidentally, I thought that he was excellent on this subject on the BBC's "Politics Show" on Sunday. I would suggest that the partnership approach that I mentioned earlier will need to be established quickly with the new unitary authority to ensure that the council addresses the needs and aspirations of the people of Newton Aycliffe.

I understand that sometimes the processes of land assembly, property purchase, negotiation with landlords and tenants and, importantly, consultation with local people and agencies take time and I know that the communities in Newton Aycliffe and the wider borough of Sedgefield have sometimes expressed their impatience with that process. However, it is to the credit of all concerned, particularly my hon. Friend, who has done much to engage with local people on this matter and broker a deal with the relevant players, that the people, businesses and public agencies in the town can look forward to a revitalised town centre built on partnership and long-term sustainability.

As my hon. Friend said, Newton Aycliffe town centre is in the process of a major redevelopment around the old Avenue school site. That redevelopment has seen the creation of a new library, community centre, supermarket and a wider range of leisure and retail units, adding about another 16 acres of commercial and recreational opportunities for the people of Newton Aycliffe. I am aware that this new redevelopment will be based around a new town square, which will be the central point between the old and the new town centres. The sense of place that I mentioned earlier is so important. I strongly believe, as does my hon. Friend, that the public realm is vital in creating that positive sense of place, and that the development of well-planned areas with high quality design and construction attracts people to live, work and relax in them.

What my hon. Friend has described tonight is an emerging success story, with private developers and public agencies locked into an agreement to transform the main area of the town centre. I understand that there are still some property moves and demolitions to be undertaken, but we, and the people of Newton Aycliffe, can look forward with renewed confidence to the return of the busy and bustling town centre that the town deserves to have. That is particularly good news for the town and excellent timing, because it will help us to celebrate the 60th anniversary of the foundation of the town.

The Government are keen to see a co-ordinated and holistic approach to regeneration, with an emphasis on ensuring that our towns and neighbourhoods are connected and have the right mix of economic activity to provide for more and better jobs, decent standards, a

choice of decent housing and excellent public services close to the community. My hon. Friend has already raised with our right hon. Friend the Secretary of State for Health the matter of the £250 million access fund, which will establish 150 new GP-run health centres and improve access to first-class health facilities in areas such as County Durham. My hon. Friend promised his constituents that he will continue to bang on about matters relating to the health centre in the town and, thanks to his efforts, work is progressing.

Housing greatly interests me and I know that Newton Aycliffe, like my own constituency, and the rest of the Sedgefield constituency, has seen significant development and improvement in its housing stock over the past 10 years. In addition, the nearby industrial estate continues to be a major source of investment and employment. The industrial estate is the largest business location in County Durham, covering some 230 hectares and is located close to major road links in the north-east such as the A1(M). I am confident that the industrial estate will provide still more enterprise and employment opportunities to County Durham and Newton Aycliffe in the years to come, following further investment.

One of the big successes of this Labour Government has been the neighbourhood renewal fund, which was charged with reducing the inequalities in our most deprived areas. That was done through the national strategy action plan, "A New Commitment to Neighbourhood Renewal", which set out the radical vision that within 20 years no one should be seriously disadvantaged by where they live. As a result of that commitment, the north-east region has received more than £377 million of neighbourhood renewal funding since 2001.

Town centres such as Newton Aycliffe have benefited from elements of that investment, and Sedgefield borough council and its partners have received more than £7 million as part of neighbourhood renewal fund moneys.

Although, as my hon. Friend said, unemployment levels in Newton Aycliffe, the wider Sedgefield constituency and the north-east are at record lows, more needs to be done. That is why we recently announced the new working neighbourhoods fund to drive down unemployment still further in our disadvantaged communities and help councils and community groups optimise the talent and enterprise in our neighbourhoods.

Sedgefield borough council's annual allocation for the working neighbourhoods fund has been set at £2 million—substantially more, it has to be said, than it received from the neighbourhood renewal fund. That funding will provide a further boost to the regeneration efforts of the area and should directly link into the capital investment and other investments planned for Newton Aycliffe town centre.

An improved, more economically active town centre in Newton Aycliffe, close to a revitalised Aycliffe industrial estate, promises investment, jobs, and better opportunities for communities. I know that local partners want to factor in a vibrant town centre in their broader strategies for renewal.

I do not want to dictate the way in which local councils and community groups should allocate that additional funding, but they could, for example, set up job advice and skills schemes in the town centre and in the community buildings that are being built. Financial incentives will be available to local authorities that are successful in reducing worklessness. I hope that such a co-ordinated approach will help ensure that Newton Aycliffe town centre has a vibrant future.

My hon. Friend mentioned his belief that town centres do not exist in isolation, and that their connection to local jobs and housing markets is crucial to their sustainability. He also mentioned his hope that we will address and learn from the lessons of the past about the new growth points and eco-towns.

Growth points are key to concentrating future growth in existing urban centres. They can also act as a successful catalyst for improving areas and town centres. With that in mind, my hon. Friend may be interested to know that the Durham housing and neighbourhoods board has submitted to the Government a bid for a new growth point in the south and east Durham areas. Newton Aycliffe is included in that bid as a key urban centre and focus for significant housing and economic development. I would like to tell my hon. Friend that we will make an announcement on the growth point bids that have been selected for development shortly, and I am sure that he will take a keen interest in that.

Again, I congratulate my hon. Friend on securing this important debate. I pay tribute to the work that he has done in brokering an acceptable deal for the regeneration of the area, and assure him that the Government will continue to invest in areas that require assistance in regenerating and revitalising communities such as those that he represents in Newton Aycliffe.

Question put and agreed to.

Adjourned accordingly at twenty-nine minutes to Eleven o'clock.

House of Commons

Wednesday 12 March 2008

The House met at half-past Eleven o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

INTERNATIONAL DEVELOPMENT

The Secretary of State was asked—

Palestine

1. **Mr. Alistair Carmichael** (Orkney and Shetland) (LD): What support his Department has provided to Palestinian communities affected by recent airstrikes. [193262]

The Secretary of State for International Development (Mr. Douglas Alexander): The recent air strikes and incursions have exacerbated an already grave humanitarian situation: 80 per cent. of the population is at least partly dependent on food aid and 90 per cent. of mains water is polluted. I have allocated an additional £2 million to the International Committee of the Red Cross, which provides water, sanitation, food, medicines and shelter. That is in addition to our wider contribution—linked to political progress—of £243 million over three years.

Mr. Carmichael: The Secretary of State is doubtless aware that the UN Office for the Co-ordination of Humanitarian Affairs report on the situation in Gaza during the week from 27 February to 3 March recorded that, in that week alone, 107 Palestinians were killed and 250 injured by the Israel Defence Forces and that two IDF soldiers and one Israeli citizen were killed and 25 injured. It also outlines a growing humanitarian crisis in Gaza, with some 30 per cent. of the population currently without access to a regular water supply. Does the Secretary of State agree that there is a prima facie case of Israel being in breach of its obligations under article 33 of the Geneva convention regarding collective punishment? If he does agree, what action will the Government—

Mr. Speaker: Order.

Mr. Alexander: Of course we unreservedly condemn the rocket attacks that continue to affect Sderot and the Negev in the southern part of Israel, but we are equally clear that we do not support the decision taken by the Israeli Government to close the crossings, restricting the flow of humanitarian supplies such as the ones the hon. Gentleman describes. It is also the long-standing position of the British Government that any response by Israel should be in accordance with international law, including the fourth Geneva convention. We also, of course, deplore civilian casualties on both sides of the conflict.

Mr. John Spellar (Warley) (Lab): I thank the Secretary of State for condemning the rocket attacks, but is it not a fact that the bulk of the responsibility lies on Hamas, which has allowed terrorist organisations to rain rockets down on Israel in an attempt to kill children there and, indeed, has undertaken terrorist activity against its own citizens in the military takeover of Gaza? Will the Secretary of State ensure that, however much aid is vitally needed by the citizens of Gaza, none of it gets to those terrorist organisations?

Mr. Alexander: We are obviously keen for Hamas to accept the Quartet principles, which were set out some time ago. Equally, however, we are clear that the humanitarian situation is serious. While we unequivocally condemn both the rocket and sniper attacks, of which my right hon. Friend spoke, we are also clear that there needs to be the means by which humanitarian supplies can reach the 1.5 million people in Gaza.

Sir Peter Tapsell (Louth and Horncastle) (Con): Spokesmen for the Israeli Government repeatedly say that they have not imposed any blockade on Gaza. Is that true?

Mr. Alexander: The crossings are at present closed, other than for very limited entrance for certain supplies. As the OCHA report, to which the hon. Member for Orkney and Shetland (Mr. Carmichael) has already referred, reflects, there is a growing and grave humanitarian situation in Gaza. It is therefore important that all sides recognise their responsibilities and facilitate the entrance to the Gaza strip of exactly the humanitarian supplies that would address that grave situation.

Richard Burden (Birmingham, Northfield) (Lab): Does my right hon. Friend agree that one of the real problems facing the people of Gaza is shortage of fuel and electricity, as a result partly of an Israeli air strike on their power plants and partly of the blockade? What are we doing to ensure that electricity supplies get through to Gaza, particularly when, as I understand it, we and the European Union are paying for them to get through?

Mr. Alexander: My hon. Friend is right to recognise that, in addition to the fatalities identified in the OCHA report, the air strikes resulted in an additional 30,000 people being cut off from water supplies—200,000 were already cut off before the incursion—and the electricity infrastructure was damaged. There are at present on average about eight hours of power cuts being suffered each day in the Gaza strip, which is why we are in regular contact with all sides and why we are encouraging through the Quartet the continued progress of the Annapolis peace process. Although there is an immediate humanitarian challenge, the long-term resolution to this conflict ultimately has to lie in the political process.

Mr. Gregory Campbell (East Londonderry) (DUP): Obviously, the security of the Palestinian people as well as that of the people of Israel should be at the forefront

of all our minds. What discussions has the Secretary of State had with the former Prime Minister of the UK, Mr. Tony Blair, who has taken on a role in the middle east?

Mr. Alexander: I last met special representatives to the Quartet last January and I previously met them at the Paris pledging conference, which is the next major step after the Annapolis conference. There, Tony Blair made clear to me his pleasure in the scale of pledging that was put behind the peace process by the international community. However, there is only so much that the international community can do to support the Annapolis process, which is why we welcome the latest indications that there will be further political discussions within the region in the days to come.

Helen Jones (Warrington, North) (Lab): Following on from what my right hon. Friend the Member for Warley (Mr. Spellar) said, may I tell the Secretary of State that although everyone recognises the sufferings of the ordinary citizens of Gaza, some responsibility must also be placed very firmly on Hamas for its rocket attacks on Israel? Will the Secretary of State therefore ensure that aid given to the citizens of Gaza actually reaches those ordinary citizens rather than the militaristic Hamas? What discussions has he had with the ICRC to ensure that that happens?

Mr. Alexander: I assure my hon. Friend that, once again, we have unequivocally condemned the rocket and sniper attacks on Israel. That has been the British Government's position for a long time. As for the related issue of whether we can be comfortable about the work being done, in this instance, by the ICRC and the United Nations, there are long-standing procedures to ensure that we provide the supplies that are immediately required to meet the humanitarian need, while not providing the political support that my hon. Friend has described, which I do not think any Labour Member would be keen for us to provide.

Malcolm Bruce (Gordon) (LD): The Secretary of State and others are right to acknowledge that the people of Gaza are victims of both Hamas and the Israeli assaults, but will the Secretary of State also acknowledge that the Bethlehem development and investment conference will have limited scope to change things if Israel has no access to Gaza? The same applies to the west bank, where movement and access continue to be restricted although no rocket attacks are being launched in the area.

Mr. Alexander: I find myself in complete agreement with the right hon. Gentleman. I travelled to the Palestinian territories in December and had an opportunity to observe the presentation from OCHA, which made clear the significance of the consequences of the blockages of movement and access that apply not just in Gaza but throughout the west bank. In our discussions both with the Palestinian authorities and with the Government of Israel, we have stressed repeatedly that if there is to be the economic progress that we should like as a result of the Bethlehem development and investment conference, there must be changes on movement and access.

Mark Durkan (Foyle) (SDLP): According to the Secretary of State, the British Government have consistently said that Israel's actions and response to violence from Hamas and others must comply with international law and meet United Nations humanitarian standards. Have the British Government assessed whether the Israeli Government's recent actions meet those standards?

Mr. Alexander: There are appropriate bodies to adjudicate on international law. I assure the hon. Gentleman that in conversations with Defence Minister Barak of the Government of Israel we made it clear that we are keen to see Israel adhere to international law, whether in relation to the barrier or settlements or in terms of its response more generally. The issue is the subject of continuing discussion between the British Government and the Government of Israel.

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): Is the Secretary of State aware that a group of leading charities recently described the situation in Gaza as the worst for 40 years? In particular, it cited shortages of essential medical supplies, electricity, fuel and especially water, which are causing increasing misery. What more can the British Government do, working with the Quartet and the temporary international mechanism, to alleviate the growing humanitarian crisis?

Mr. Alexander: I refer the hon. Gentleman to the answer I gave a few moments ago, in which I announced that an additional £2 million would be given to the ICRC to address exactly those concerns. He is right to say that the crisis action report identified the grave humanitarian situation currently affecting the citizens of Gaza. That is why we not only continue to support the United Nations Relief and Works Agency and the ICRC, but have today pledged a further £2 million for the ICRC in recognition of the need to respond to that humanitarian situation.

Mrs. Louise Ellman (Liverpool, Riverside) (Lab/Co-op): What specific representations has my right hon. Friend made concerning Hamas's callous decision to launch its rocket attacks on Israelis from civilian areas in Gaza such as the United Nations school in Beit Hanoun?

Mr. Alexander: I assure my hon. Friend that we utterly deplore the rocket attacks, not simply because of their location but because of their consequences—the bombing and casualties in Sderot and the Negev in Israel. We take every opportunity in international forums to make it clear that we unreservedly condemn those attacks, and indeed the sniper attacks as well. However, we make it equally clear that we want Hamas to adhere to the Quartet principles that we set out some time ago.

Mr. Michael Moore (Berwickshire, Roxburgh and Selkirk) (LD): I join other Members in condemning the violence on both sides of the conflict. I also join the Secretary of State in acknowledging the humanitarian crisis in Gaza.

In response to a couple of questions, the Secretary of State has said that international bodies are there to judge whether Israel is in breach of its international obligations. Does he agree with my hon. Friend the

Member for Orkney and Shetland (Mr. Carmichael) that Israel is in breach of the Geneva conventions, and, as I asked him when we last discussed these matters, does he think that the Israeli reaction is proportionate?

Mr. Alexander: I hope that I can offer the hon. Gentleman the comfort for which he is looking in the statements that I and the Foreign Secretary issued on 11 and 21 January and 8 February, where not only did we unequivocally condemn, as he has, the rocket and sniper attacks, but we consistently made it clear that any response by Israel should be in accordance with international law. We deplore civilian casualties on both sides and it is a matter that we repeatedly bring to the attention of the Israeli Government.

Elections

2. **Mr. Greg Hands** (Hammersmith and Fulham) (Con): What steps his Department is taking to promote free and fair elections in developing countries. [193263]

3. **Mr. Tim Boswell** (Daventry) (Con): What steps his Department is taking to promote free and fair elections in developing countries. [193264]

The Parliamentary Under-Secretary of State for International Development (Gillian Merron): Free and fair elections are central to better governance and accountability in developing countries, with primary responsibility resting with the relevant Government. Support is given by the UK at elections, including election observation and voter registration, as well as in between elections to Parliaments, civil society and other institutions.

Mr. Hands: This is all very valuable work, but does the Under-Secretary think that her efforts have been helped or hindered by her boss's involvement in elections at home, which were criticised in a report from the Electoral Commission as overlooking voter interests—*[Interruption.]*

Mr. Speaker: Order. The question is about elections in developing countries.

Mr. Boswell: Further to that, the Under-Secretary wishes to be fair. Given that the Council of Europe, for example, has taken up concerns about our own electoral arrangements in relation to postal voting, will she assure the House that when she advises foreign countries and electoral authorities, she will have regard to the need to be scrupulous in terms of best practice rather than some of the practices that may have characterised recent elections here?

Gillian Merron: I am sure that if the hon. Gentleman has concerns about matters in the UK, he will raise them with the appropriate Secretary of State. It is important that we support not just free and fair elections at election time, but underlying systems and processes. We work hard with Parliaments, media and civil society, and the hon. Gentleman will want to know that we have established a governance and transparency fund to support accountability and governance in developing countries. We will soon be announcing the recipients of that fund.

Mr. Lindsay Hoyle (Chorley) (Lab): Will my hon. Friend ensure that we get free and fair elections in Tibet? What pressure can be placed on China to ensure that Tibet gets those free and fair elections as soon as possible?

Gillian Merron: I can assure my hon. Friend that we are working with, and will continue to work closely with, the Foreign and Commonwealth Office on that. I will bring his concerns to the attention of the Foreign Secretary.

Hugh Bayley (City of York) (Lab): May I caution the Minister against putting too much reliance on Governments to patrol and police their own elections and encourage her to put more effort into strengthening the capacity of Parliaments to hold the Executive to account? The catastrophe in Kenya happened when President Kibaki stuffed the electoral commission of Kenya. Surely it is for the cross-party forum, the Parliament of Kenya, and not the Government of national unity to reform the law so that the electoral commission of Kenya represents all parties in civil society and has credibility when the next elections come?

Gillian Merron: My hon. Friend has a creditable record in this area through the Westminster Foundation for Democracy and I commend his leadership of that organisation and the work that it does. We support the building up of the capacity of Parliaments and political parties in many of the countries in which we work. That includes transparency and support in terms of the selection of candidates and how campaign issues are articulated. I can assure my hon. Friend that we believe that continued work will be very important in building Kenya.

Mr. Andrew Mitchell (Sutton Coldfield) (Con): Further to the question of the hon. Member for City of York (Hugh Bayley), the hon. Lady will be aware that the Department for International Development has spent more than £50 million in Kenya this year, including £600,000 on election monitoring. What lessons have she and her Department learned from the recent events there?

Gillian Merron: Perhaps I could put on record once again the fact that nobody could have predicted the scale of post-election violence in Kenya, and our approach is very much that it is not business as usual. We did much work before the Kenyan elections, and we now need to move from the not-business-as-usual approach to a transitional period. We are currently providing £50 million in aid, and we are keeping our programme continually under review. I can also assure the hon. Gentleman that we are not providing that assistance through a general Government budget, but instead we are ensuring that it goes direct to the Kenyan people who are most in need.

Mr. Mitchell: Is not one of the most significant lessons the importance of building civil society and holding politicians to account over the long term? Why then, according to the last Kenya country assistance plan, was spending by DFID on governance and accountability cut?

Gillian Merron: Of course, our key role is to ensure that the poorest and most vulnerable people get the aid they need most, so we are ensuring that health and education are receiving such aid. The setting up of the governance and transparency fund, worth some £130 million, will ensure that we increase support for activities that focus on accountability, which I know is of great concern to the hon. Gentleman. We have had many applicants, including Oxfam and other such organisations, and I look forward to making an announcement on that soon.

Mr. Tom Clarke (Coatbridge, Chryston and Bellshill) (Lab): Is my hon. Friend aware that many people understand that the situation in Kenya was extremely difficult and very worrying and wish to congratulate the Secretary of State and his colleagues on the British contribution to finding a solution? Is she also aware that many people would plead with the Department to continue to support Kofi Annan in the excellent work he is doing?

Gillian Merron: I warmly welcome my right hon. Friend's words of congratulation. We have been supporting the Kofi Annan mediation process and will continue to do so. The Government very much welcome the announcement of a peace deal. This is an optimistic and challenging time for Kenya, and it is important that we continue to work within that country to rebuild it so that Kenyans can look forward to peace, stability and further growth.

Sir Nicholas Winterton (Macclesfield) (Con): What action are the Government taking to guarantee free and fair elections in Zimbabwe? It is important that those elections are fair and free in order to bring about a change of Government in that country.

Gillian Merron: The hon. Gentleman is of course right to say that there need to be free and fair elections, and the reality is that the conditions are not in place. I met with the UK ambassador to Zimbabwe last week, and I discussed that matter with him. The UK will continue to provide support for the poorest through non-governmental organisations and the United Nations. We do not accept the list of observers, so we are working closely with civil society organisations to strengthen the process. I assure the hon. Gentleman and the House that we will continue to monitor and work on the situation with the international community.

Orphans (Malawi)

4. **Mr. David S. Borrow** (South Ribble) (Lab): What steps his Department is taking to support orphans in Malawi. [193265]

The Parliamentary Under-Secretary of State for International Development (Mr. Shahid Malik): There are 1.5 million orphans and vulnerable children in Malawi, 550,000 because of HIV and AIDS. DFID gives £2 million a year to the National AIDS Commission, which, among things, provides education and care to orphans and vulnerable children through community-based organisations. In 2006-07, just under 1 million orphans and vulnerable children received support. The commission is also supporting a pilot cash transfer, which has helped 35,000 people in four districts, including 17,000 orphans and vulnerable children.

Mr. Borrow: Will my hon. Friend join me in paying tribute to a small charity based in South Ribble, the Friends of Mulanje Orphans—FOMO—which supports 4,000 orphans in Malawi? Will he also ensure that his Department gives as much support as possible to the excellent work that organisations such as FOMO undertake?

Mr. Malik: I am more than happy to recognise the excellent work carried out by organisations such as FOMO, which, as my hon. Friend says, helps 4,000 orphans with school fees, meals and health care through a network of 10 centres covering 70 villages. That is exactly the sort of vital community-based work that Malawi's National AIDS Commission funds. It supports some 1,800 organisations, providing care for orphans and vulnerable children across Malawi.

Mr. Gary Streeter (South-West Devon) (Con): As the Minister said, many of these children are orphaned as a result of HIV/AIDS. Is he therefore confident that enough of the Department's investment in Malawi and elsewhere in sub-Saharan Africa is spent on preventive measures through education, rather than just on treatment? Is it not the case that we will never get to grips with HIV/AIDS unless we can empower people to make informed lifestyle choices to deal with that dreadful disease?

Mr. Malik: The hon. Gentleman is correct. Education is vital in the fight against AIDS, but so, too, is health care. It deals with the symptoms; he is talking about the cause. I am pleased to let him know that we are investing £100 million in Malawi over six years to deal with many of these issues and that antiretroviral treatments are now available to 130,000 people compared with a figure of just 3,000 in 2003.

Ann McKechin (Glasgow, North) (Lab): As my hon. Friend will be aware, the Scottish Executive have been running a programme in Malawi for some years. Given the Paris declaration on harmonisation and alignment, does he agree that it is important that the programme should work in tandem with DFID to ensure the best and most effective aid programme for Malawi?

Mr. Malik: My hon. Friend is right. Part of the Paris declaration and its principles is that there should be alignment between different funding targeted at various areas—that would apply in Malawi too.

Mr. Nigel Evans (Ribble Valley) (Con): Malawi is one of the poorest countries in the world—it is certainly one of the poorest countries in Africa. Does the Minister agree that the best help we can give its orphans is to reduce the number of children being orphaned in the first place? Ensuring access to antiretroviral drugs is vital; they must be properly delivered. What can he do to ensure that the numbers of doctors and nurses fleeing Malawi to come to countries such as the United Kingdom and the United States of America are greatly reduced?

Mr. Malik: The hon. Gentleman is, of course, right. A serious challenge for the developing world, and for Malawi in particular, is the fact that health workers leave those areas. I am pleased to say that between 2003 and 2007 their migration decreased by 71 per cent. The investment of £100 million to which I referred in part deals with some of those challenges. The situation has been helped by the code of conduct that this country has put together on employing overseas health workers.

As a result of that £100 million investment, salaries have increased by 52 per cent. and a series of development incentives is in place for workers in Malawi. We are supporting the doubling of the number of nurses and the trebling of the number of doctors, and I am sure that he will very much welcome that.

HIV/AIDS

5. **Mr. Graham Allen** (Nottingham, North) (Lab): What progress is being made in halting and reversing the spread of HIV and AIDS globally by 2015 in accordance with millennium development target 7. [193266]

The Parliamentary Under-Secretary of State for International Development (Gillian Merron): Last year, the number of people living with HIV and AIDS levelled off for the first time. The number receiving antiretroviral treatment rose from 400,000 in 2003 to more than 2 million in 2006.

Mr. Allen: Although we all want to help people who have HIV and AIDS, does the Minister accept that we also need to ensure that proper programmes are in place to prevent the further spread of AIDS? Will she tell us what the Department is doing to help to spread the promotion of those educational programmes, in particular the further use of condoms in these areas, so that HIV/AIDS is stopped before it can begin?

Gillian Merron: My hon. Friend makes an important point, given that nearly 7,000 people are newly infected with HIV every day. Indeed, prevention is crucial to stopping and reversing the spread of HIV/AIDS. We need to improve people's knowledge, change attitudes, give women more control over their own lives, promote the availability and use of condoms and boost education. On all those matters, DFID is working directly with countries and co-ordinating with other donors.

Hywel Williams (Caernarfon) (PC): What steps are the Government taking to promote peer education on HIV and AIDS in developing countries by non-governmental organisations such as Christian Aid? Will she commend the work done by the pioneering group of young people from Wales that recently visited Sierra Leone?

Gillian Merron: I do indeed endorse peer education programmes, which are very much part of the work that we do, and I commend the young people to whom the hon. Gentleman refers. I have recently met groups of young people who are extremely committed to peer education. People listen to those with whom they identify.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [193247] **Michael Jabez Foster** (Hastings and Rye) (Lab): If he will list his official engagements for Wednesday 12 March.

The Prime Minister (Mr. Gordon Brown): This morning I had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall have further such meetings later today.

Michael Jabez Foster: The strength of the economy, with the minimum wage and tax credits for children, coupled with my right hon. Friend's commitment to reducing child poverty, means that in my constituency and elsewhere, thousands of young people are now free from that scourge. Given the ambitious target of my right hon. Friend and the Labour Government to eradicate child poverty by 2020, what further measures—[*Interruption.*]

Mr. Speaker: Order.

The Prime Minister: As a result of the work of the Chancellor and the Government, there are 3 million more people in work, and half a million children have been taken out of poverty. There are 2 million people benefiting from the minimum wage and 12 million children benefiting from child benefit and child tax credits, taking more people out of poverty. As a result, the number of people in absolute poverty has halved and 600,000 children are now out of poverty. We will do more in the next few years, but this would not be possible if, based on figures that do not add up, we cut £10 billion from public expenditure to pay for tax cuts. We will pursue a path of stability and tackling child poverty.

Mr. David Cameron (Witney) (Con): I am not sure that the planted questions get any better.

I would like to ask the Prime Minister about something that he rightly gave a very high priority: the humanitarian crisis in Darfur. Since the start of this year, another 80,000 people have been driven from their homes, aid workers have been killed, and access to humanitarian relief has dramatically reduced across Darfur. Even areas such as el-Fasher, which I visited 16 months ago, are sometimes inaccessible because of the Janjaweed militia. Seven months ago, the Prime Minister promised quick and decisive action, but will he confirm that on any objective measure, the situation on the ground has actually got worse?

The Prime Minister: There are 4 million people in famine or dependent on food aid. There are 2 million people who have been displaced, and 400,000 people have died. This is a humanitarian tragedy of colossal proportions, and the world must act. I believe that we must strengthen our sanctions against the Sudanese Government. We should have military sanctions for the whole of Sudan.

I believe also that the United Nations force—I have talked to the Secretary-General—must be in place as quickly as possible, that there should be no further delays and that the African Union must make its contribution. But I believe most of all that we must get people to the peace table. That is why it is important not only that the Government of Sudan come to the peace talks, but that the rebel groups join the peace talks, which they have not done before. We will continue to step up our efforts. The Foreign Office Minister, Lord Malloch-Brown, has been there recently. We have asked the Chinese to intervene in the situation, and of course I would like the Secretary-General of the United Nations to visit the region very soon.

Mr. Cameron: The Prime Minister quite rightly mentions the joint African Union-UN force that everyone signed up to. Can he confirm that although seven months ago—last July—we were told that 20,000 peacekeepers and nearly 4,000 police would be deployed, today there are only 10,000 of them there, even on the most optimistic estimates? Recent reports say that they have no military helicopters whatsoever. Does he agree with me that this is completely unsatisfactory? The Prime Minister himself said that he would consider visiting Darfur. What steps is he now proposing to make sure that the international community rises to this important challenge?

The Prime Minister: The President of France, Mr. Sarkozy, and I have discussed the provision of helicopters and what more we can do. It is not only Sudan that is involved, but Chad as well. We have also discussed the creation of a no-fly zone, but the area in question is the size of France, which makes it very difficult to police. I believe that the way forward is to move to peace talks as quickly as possible, and I hope that right hon. and hon. Members in all parts of the House will join me in pressing the rebel groups, as well as the Government of Sudan, to join those talks.

Mr. Cameron: Let me pick up on one point the Prime Minister just made, about a no-fly zone. That is important. Last year, Tony Blair said clearly that

"a no-fly zone to prevent the use of Sudanese air power against refugees and displaced people"

is vital, and I agree with him. Anyone who has been to Darfur and talked to people in the refugee camps will have heard them say, "It wasn't just the Janjaweed militia; it was the Sudanese army that drove me out of my village—they were coming out of Sudanese aircraft." The no-fly zone is vital, but a month ago, the Prime Minister said in a written answer that there had not been an assessment of the logistical challenges of implementing a no-fly zone. Will he confirm today that he remains in favour of a no-fly zone and will press for it very hard?

The Prime Minister: I simply emphasise that the most important thing is to get people to peace talks. That is the only way to bring the situation to a conclusion. As for a no-fly zone, I have considered it and I would like to move ahead, if it were at all possible; however, we have to accept that the area to be policed is the geographical size of France and large numbers of aeroplanes would be needed. More important at the moment is to get a ceasefire and, as a result, stop the aerial bombing of civilians. I believe that we can make progress in that respect and then get people to the peace talks. That is how to solve the problem.

Mr. Eddie McGrady (South Down) (SDLP): The Prime Minister will be aware that the First Minister of Northern Ireland and the Democratic Unionist party have vetoed the devolution of justice and policing to Northern Ireland. When the Prime Minister comes to Northern Ireland in May for the US investment conference, will he give a clear, positive message that completing devolution and maximising investment are the twin pillars of progress and stability in Northern Ireland?

The Prime Minister: The hon. Gentleman is absolutely right. The devolution of justice and policing will complete the implementation of the St. Andrews agreement. However, a great deal of progress has been made in Northern Ireland, and I pay tribute to the First Minister. It is great news that the Queen is able to visit Northern Ireland in the next few days; and the conference on investment in Northern Ireland will be held in the next few weeks, with, I hope, substantial American participation. I also hope that all parties will follow the report produced for the Northern Ireland Assembly on the issues that are yet to be resolved in justice and policing, and move forward to reach agreement on those matters quickly.

Mr. Nick Clegg (Sheffield, Hallam) (LD): Does the Prime Minister agree with me that unless we get big money out of British politics, there is a real risk that our political system will end up like America's, where influence and power are controlled by cash? Does he not understand the British people's disgust as they see the two larger parties refusing to deliver real reform?

The Prime Minister: I agree that there should be a limit on election expenditure; it should be properly enforced and it should be lower than the previous limits. There should also be a limit on donations. I agree with the right hon. Gentleman on that, although I see that he has changed his policy: once, he said it should be £10,000, but I gather from his speech at the weekend that he now thinks it should be £25,000. As for the other aspects of the matter, I believe that there should be transparency in politics and that all the information should be published.

Mr. Clegg: We have heard all this before. The Prime Minister is doing nothing. Why is he using the Tory attachment to big money from Belize as an excuse to sit on his hands? Is not the truth that both he and the Conservatives are so busy protecting their own vested interests that they will not do what is right for Britain?

The Prime Minister: I do not think that the right hon. Gentleman followed me. I answered his question and said what we should do. There should be limits on national election expenditure and on individual donations, and there should be greater transparency. I hope that we can agree on this, and that all parties will do so.

Mr. Stephen Hepburn (Jarrow) (Lab): The Prime Minister will be aware of the disgraceful plight of pleural plaque sufferers in this country, who are being denied their rightful claim to compensation by the courts. Does he agree that it does not matter how the issue is dressed up: pleural plaques are a working-class industrial injury caused by negligent exposure to asbestos? Will he meet the group of MPs who have been campaigning on the issue, so that we can bring an end to this dreadful, Victorian scandal?

The Prime Minister: I am grateful to my hon. Friend for raising the House of Lords judgment, which now has to be answered. Asbestosis and mesothelioma are terrible diseases, and all of us who have seen the effects that they cause know that we have to do more to help the victims of those diseases. On pleural plaques, we are looking at the matter at this very moment. We will publish a consultation document soon. We are determined to take some action, and I am very happy to meet his delegation.

Q2. [193249] **Mr. Andrew Mackay** (Bracknell) (Con): When the Prime Minister was Chancellor of the Exchequer, it was widely spun that he gave Tony Blair only two days' notice of his Budget proposals. Can we assume that the current Chancellor has been more co-operative?

The Prime Minister: The information that the right hon. Gentleman has is completely wrong, and it is because of co-operation in government that we are the Government who have created more stability than any Government in the history of this country.

Dr. Howard Stoate (Dartford) (Lab): As my right hon. Friend will know, this is prostate cancer awareness week, and 10,000 men die of prostate cancer every year, making it the commonest cause of cancer deaths in men. However, there are significant inequalities across the country in cancer death rates for prostate disease. Will my right hon. Friend commit to reducing health inequalities and improving research, treatment and awareness of that terrible condition, so that we can bring the death toll down?

The Prime Minister: I agree entirely with what my hon. Friend says. More has to be done. There has been a 16 per cent. fall in cancer deaths, and there is more availability of help, check-ups and screening. At the same time, people who are suspected of having the disease are treated far more quickly than ever before, but we have to do more about the issue. It is only possible to do more if we continue to spend and invest in our national health service.

Mr. David Cameron (Witney) (Con): I believe that there is a strong case for more free votes in Parliament, and there is an unanswerable case for free votes on matters of conscience. One such example is the Human Fertilisation and Embryology Bill. Can the Prime Minister explain why votes on matters-of-conscience issues were whipped in the House of Lords, and can he tell us why his official spokesman has said that the Bill will not be subject to a free vote in the House of Commons?

The Prime Minister: On the issues that arise in the Bill, one is a potential amendment on abortion, and that will be subject to a free vote in the House, as is absolutely normal. On the Human Fertilisation and Embryology Bill, the right hon. Gentleman must know that it initially came before a Joint Committee of both Houses. Recommendations were made, and they were then part of the Bill. The Bill was then put through the House of Lords. It will come to the House of Commons, and we will make a decision about the way in which votes on it will take place in due course.

Mr. Cameron: Let me tell the Prime Minister what was whipped in the House of Lords: votes on the production of hybrid human-animal embryos, the requirement for IVF clinics to have regard to a child's need for a father, and the circumstances under which saviour siblings can be created. Those were all whipped votes, and they should not have been. He says that he will make a decision. Why not break the habit of the lifetime, make the decision now and tell us what it is?

The Prime Minister: I am explaining how the Bill arose. It arose from a Select Committee, which made recommendations that formed the basis of the Bill. The Bill then went through the House of Lords. We will make our decisions on the issue in the normal way, but let me be absolutely clear that we respect the conscience of every Member of the House in this matter.

Mr. Cameron: This just is not good enough. The Prime Minister's official spokesman said that the Bill would be treated in a normal way: there would not be free votes. If that is to change, why cannot the Prime Minister tell us? Why does he not listen to Lord Alton, who said in the House of Lords:

"Sometimes I despair that even after such an extraordinary debate as we have had here, there are Whipped votes. I am sorry that the precedent of 1990, when the original legislation was introduced and free votes were allowed throughout on these matters, has not been followed today"?—[*Official Report, House of Lords*, 15 January 2008; Vol. 697, c. 1232.]

Tell us now: can we have free votes on all the conscience issues in the Bill—yes or no?

The Prime Minister: If the right hon. Gentleman wishes to call a free vote for his party, that is a matter for him, but let me say this: he is not understanding the way in which the Bill arose. It arose from recommendations made by a Joint Select Committee of the House. As I have said before, we will respect the conscience of every Member of this House.

Kali Mountford (Colne Valley) (Lab): Thanks to the magnificent work of Kirklees primary care trust, health services have been transformed in my area. The shadow Health Minister predicted that accident and emergency would be closed by now. Instead, millions of pounds are being spent in community health and mental health services. Will my right hon. Friend give me an assurance that success will continue to be rewarded and that sound financial management will be continued by the Government?

The Prime Minister: It is possible to spend more on the national health service in every area of the country because of our commitment to a 4 per cent. real-terms rise in health service expenditure over the next few years. That would not be possible if we accepted proposals for £10 billion of tax cuts, which would have to be paid for by £10 billion of cuts in public expenditure. That would inevitably mean cuts in the national health service. That we will not do. It is for others in the House to decide what they do on health.

Q3. [193250] **Mr. Alistair Carmichael** (Orkney and Shetland) (LD): For months the Government have been warned that continued unfair treatment of staff in the Maritime and Coastguard Agency would lead to strike action, and last week, for the first time ever, it happened. Fortunately, there was no loss of life, but next time we might not be so lucky. Will the Prime Minister intervene to impress upon senior management in the coastguard agency the need to engage with their own staff and end this dangerous and damaging dispute?

The Prime Minister: I am very saddened by the strike. I understand that the management remain keen to talk to the unions on the issue to ensure that the situation is resolved as soon as possible. Safety at sea is a priority, and I can assure the hon. Gentleman that nothing will be done to allow industrial action to affect the safety of people at sea.

Q4. [193251] **Emily Thornberry** (Islington, South and Finsbury) (Lab): Many of my constituents rely on London's buses in order to get about and they would be greatly alarmed if they thought that the service was under threat. With pensioners across the country about to enjoy free off-peak travel, does my right hon. Friend agree that this a timely moment to remember how important it is that London has a well run and properly funded bus service?

The Prime Minister: Bus usage in London is at its highest level since 1965. In other words, there are more people using buses in London than at any time for 40 years. I understand that that would be put at risk by proposals that would cost £100 million if applied by the Conservative party. That would mean that bus fares rose. It would discourage ordinary people from using the bus service. We are determined to maintain bus services in London.

Mr. Elfyn Llwyd (Meirionnydd Nant Conwy) (PC): If the Prime Minister were to set about the rather daunting task of trying to persuade trade unionists back into the Labour fold, would he refer to the 40,000 job cuts under Gershon, the below-inflation pay rises in the public sector, or perhaps his Government's support for the evil regime in Colombia? Which would be his sales pitch?

The Prime Minister: I would refer to the minimum wage that we implemented in the teeth of opposition from other parties. I would refer to the right to be a member of a trade union, which we restored after what happened at GCHQ Cheltenham, and I would refer to the 3 million jobs created by the Government.

Q5. [193252] **Barry Gardiner** (Brent, North) (Lab): Given the 40 per cent. increase in funding to Brent council under the Government, can the Prime Minister explain why a disabled person in my constituency is faced with a 214 per cent. rise in their cost of care, or a grieving family a 143 per cent. rise in the cost of burying a loved one? Does that not show that where there are Liberal and Tory coalitions, they always target the vulnerable and the disadvantaged?

The Prime Minister: Brent council has received extra money from central Government to enable it to undertake the public services that it should be performing. Therefore it is unfortunate that a Tory-Liberal coalition is cutting vital public services in the area. We have provided the money. They have cut the services.

Q6. [193253] **Bob Russell** (Colchester) (LD): I thank the Prime Minister for his words of support for military personnel wearing their uniform in public. In addition, I hope for his support for an armed forces day. Will he see whether the Public Order Act 1986 can be amended to make it a specific offence for somebody to insult a member of Her Majesty's armed forces who is wearing uniform in public?

The Prime Minister: We are proud of our armed forces. Not only do they have the right to wear their uniforms in public when they are in the United Kingdom, but we welcome the fact that they do. I know that the hon. Gentleman is proud of what happens in his own constituency as well.

I believe that the police do have powers to deal with those people who abuse or intimidate our armed forces; if they need them, they can use those powers already. The public are on the police's side if they take action to ensure that our armed forces achieve both the recognition and the acclaim that they rightly deserve.

Q7. [193254] **Mr. Jim Cunningham** (Coventry, South) (Lab): Will my right hon. Friend give us a bit more information on what he is doing about humanitarian aid for Darfur? At the same time, we appreciate that the Government are trying to initiate peace talks.

The Prime Minister: The UK is the second largest donor to Sudan; we have a programme of £114 million. At the same time, we have spent to date £290 million on humanitarian aid in Darfur throughout the last few years. We stand ready to provide additional assistance if the peace talks are happening and working and if we can get a proper settlement, backed by a United Nations force in the area.

Mr. Boris Johnson (Henley) (Con): Given that the Prime Minister has once again misrepresented my policy and given that the hon. Member for Islington, South and Finsbury (Emily Thornberry) said herself last week that there was scarcely a child in her constituency who had not been mugged, will the Prime Minister now join me in agreeing to reallocate some of the Mayor's publicity budget increment for next year to put another 440 uniformed police community support officers on some of the rowdier bus routes, to give Londoners on buses the security that they want?

The Prime Minister: There are more police in London than ever before as a result of the decision—

[Hon. Members: "Hear, hear!]

Mr. Speaker: Order. The hon. Member for Henley (Mr. Johnson) cannot hear the Prime Minister's answer.

The Prime Minister: There are more police in London, and it is the result of the Labour Mayor. If I may say so, the hon. Member for Henley must answer for what he says. He says:

> "We have got to be absolutely clear where the scope for real economies is and the real big ticket for spending is the Metropolitan Police and Transport for London. That's where the real savings, believe me, are to be found."

It is a cuts manifesto from the Tories.

Q8. [193255] **Chris Mole** (Ipswich) (Lab): Unemployment in Ipswich has fallen by 1,500 or nearly one half since 1997. That is a success both for the Government's economic policies and for each and every one of the individuals who have returned to work. In the face of global competition, regional cities such as Ipswich need every bit of home-grown business talent that they can acquire. Will my right hon. Friend tell me what his new national enterprise academy will achieve in constituencies such as mine?

The Prime Minister: I am pleased that the Secretary of State for Innovation, Universities and Skills has announced proposals for more universities and higher education institutes in cities and towns of this country. On Monday, we announced the creation of a new national enterprise academy, to be led by Peter Jones; we will choose a site in a part of the country that needs that enterprise academy. There will be more apprenticeships over the next few years in every area of the country. There were 70,000 apprenticeships when we came into power. There are now 250,000 apprentices. That will double over the next 10 years; that is what we mean by equipping Britain for the future.

Tom Brake (Carshalton and Wallington) (LD): Sutton does not get decent homes funding and its properties are in greater need of investment than those of almost any other London borough, yet from April this year £10 million of the rent from Sutton's tenants will be used to improve housing in other boroughs. Would the Prime Minister be willing to meet a delegation of Sutton tenants to explain why this is going to happen?

The Prime Minister: We have doubled expenditure on housing, particularly social housing, over the last few years. We have made it easier for people to buy their own homes by raising the stamp duty threshold as well, and we have introduced equity sharing to make it possible for more people to buy their homes, even if they do not have that amount of money when they start to become an owner-occupier. Those are all measures that we are taking to improve home ownership. I hope that councils around the country will support us in our aim to build 3 million more houses by 2020.

Q9. [193256] **Colin Challen** (Morley and Rothwell) (Lab): Ignoring the lesser ambitions of other countries, the German Government have set themselves a carbon reduction target of 40 per cent. by 2020. Can we join Germany in a new arms race—a carbon reduction arms race—whereby we will win the new jobs, new technologies and new exports, and a clean environment?

The Prime Minister: I have to say that we are the country that is meeting our Kyoto obligations. We will continue to do so, and we will also press the international community to move to a higher level of ambition for 2050. At the moment the ambition is to reduce emissions by 60 per cent. We are asking our committee on climate change to look at 80 per cent. That is the sort of ambition that we all need, and I hope that every country in the European Union will support us.

Q10. [193257] **Mr. Robert Goodwill** (Scarborough and Whitby) (Con): I am holding up a can of beef from a ration pack issued to the Yorkshire Regiment in Afghanistan, where I recently had the privilege of meeting many of those there. On the base of the tin it reads, "Produce of Argentina". Does the Prime Minister agree that our troops deserve the best, which in this case means British, or even Scottish, beef?

The Prime Minister: We continue to look at how we can improve procurement. I will take what the hon. Gentleman says and look at it with the Chief of the Defence Staff and others. It is very important that we do the best by our forces, and we will do so.

Q11. [193258] **Fiona Mactaggart** (Slough) (Lab): A strong economy has meant fewer unemployed young people in Slough, but many of them do not have the skills to compete for the work that is available. I am glad about the Prime Minister's announcement of extra apprenticeships, but can he do more to ensure that employers commit to high-quality work-based training for young people so that they can compete for well-paid work?

The Prime Minister: I had the privilege of visiting my hon. Friend's constituency when we launched the new deal to give young people and adults new opportunities for employment. I still hope that there would be all-party support for the maintenance of the new deal. As far as adult learners are concerned, she is absolutely right. We need to do more to persuade employers, particularly small businesses, to train their work forces. That is why we have introduced train to gain; why we are giving every adult under 25 the right to train up to A-levels even if they have missed the first chance at school; and why all adults, of whatever age, are given the chance to train to basic level 2. We are doing more than ever to train people for what is a new economy where we are going to need the skills for the future.

Q12. [193259] **Mr. Jeffrey M. Donaldson** (Lagan Valley) (DUP): Does the Prime Minister agree that it would be entirely wrong to devolve policing and justice powers to the Northern Ireland Assembly while the IRA army council remains in place?

The Prime Minister: I understand that the hon. Gentleman has chaired the Northern Ireland Assembly Committee on these matters. The Committee debated these issues, and I gather that it reported yesterday. It agreed to forward its report to the Secretary of State. I know that decisions are being recommended by that Committee and that there are controversial issues. I think that the best thing is that discussions take place on those issues and we see how we can resolve them.

Q13. [193260] **Mr. Jamie Reed** (Copeland) (Lab): My right hon. Friend the Prime Minister has seen for himself the devastation that flooding causes in homes, communities and families. The Government set aside millions of pounds to assist the areas suffering from flooding. However, this is a matter not just of natural weather events, but of failing infrastructure in many parts of the country. How can people in my constituency, whether in local authorities or businesses, access those moneys set aside by Government?

The Prime Minister: I am grateful to my hon. Friend, who has taken a very big interest in these matters. Expenditure on this issue has risen; in fact, it has doubled in the past 10 years. We will raise expenditure further, because it is absolutely vital that we have the investment against flooding and coastal erosion risk. We will spend £800 million on that by 2011.

Mr. Graham Stuart (Beverley and Holderness) (Con): The official inquiry into the foot and mouth outbreak at Pirbright has found direct ministerial responsibility. Can the Prime Minister tell the House how Ministers are to be held to account and when a full and proper animal tracing process will be put in place?

The Prime Minister: I do not accept the hon. Gentleman's interpretation of that report at all. What the report actually says is that the action taken by the Government was immediate and instant and was the right thing to do. It also says that we were far better prepared than for any previous foot and mouth outbreak. It makes recommendations for the future, and we will look at all those recommendations. We are already investing and changing the management at Pirbright to avoid these things happening in the future. I hope that the hon. Gentleman would give the House a fair reflection of Mr. Anderson's report.

Q14. [193261] **Chris McCafferty** (Calder Valley) (Lab): My right hon. Friend will be aware of reports this week that up to 4,000 forced marriages take place every year, and that hundreds of ethnic minority children are disappearing from school rolls, who may have been forced into marriage against their will. Will he look into the role of education welfare officers and those tasked with responsibility for children's absenteeism from school, and perhaps look to—

Mr. Speaker: Order.

The Prime Minister: My hon. Friend raises the important issue of the 3,000 young women—and perhaps many more—who are victims of forced marriages. The Home Office and the Foreign Office set up a joint unit in 2005, which is handling 5,000 inquiries a year. All the matters that she raised will be looked at carefully; this is not tolerable and we must do everything we can to support victims of forced marriages.

Orders of the Day

WAYS AND MEANS

Financial Statement

Mr. Deputy Speaker (Sir Alan Haselhurst): Before I call the Chancellor of the Exchequer, it may be for the convenience of hon. Members if I remind them that at the end of the Chancellor's speech copies of the Budget resolutions will be available to them in the Vote Office.

12.31 pm

The Chancellor of the Exchequer (Mr. Alistair Darling): The core purpose of this Budget is stability, now and in the future. Its core values are fairness and opportunity, founded on stability and strength.

In every country in 2008, every Government have one aim: to maintain stability through the world economic slowdown. Britain, with its central role in the world's financial system, is no exception. But with low inflation, record levels of employment, and unemployment at its lowest level for a generation, and with the action that we took last year to curb inflation, Britain is better placed than other economies to withstand the slowdown in the global economy.

This year's Budget is a responsible Budget that will secure stability in these times of global economic uncertainty. We will do everything in our power to maintain stability, keeping inflation and interest rates low and maintaining our record of growth. Whilst other countries have suffered recessions, the British economy has now been growing continuously for over a decade—the longest period of sustained growth in our history. Because of the changes we made to entrench stability and increase the flexibility and resilience of our economy, I am able to report that the British economy will continue to grow throughout this year and beyond.

Even in today's difficult and uncertain times, we are determined that we will not be diverted from our long-term aim: to equip our country for the challenges of the future, to confront climate change and to end child poverty in a generation. This Budget is about equipping Britain for the times ahead and making sure that everyone, no matter what their circumstances, can exploit their full potential. It is about building a fairer society, offering more opportunity—a fair Britain in which everyone can succeed.

Throughout the world, economies have benefited from the globalisation of trade and investment, which has delivered strong world growth. Here in Britain, our openness, our global reach and our history of scientific invention and creative success make us uniquely placed to succeed in the global economy. But with the benefits of globalisation, we see, too, how problems in one part of the world can quickly spread to another. Turbulence in the global financial markets, which started in the American mortgage market, has affected all economies, from the United States to Asia, as well as Europe.

We have seen significant disruption across many credit markets, with a number of them barely functioning at all, and since the turn of the year, global stock markets have been affected. This poses a major risk to the world economy, and so we welcome yesterday's commitment by the world central banks, including the Bank of England, to address these concerns.

Here, the action that we took last autumn to support Northern Rock and protect depositors and savers means that despite seeing the worst period of financial disruption for a generation, we have maintained confidence and stability in the banking system.

Between the early 1970s and the mid-1990s, the UK was one of the least stable economies in the G7. Today, we are the most stable. In the past, our economy suffered from high unemployment and high inflation, but today unemployment is lower than in Germany, France and Italy.

Welfare reform makes work pay and encourages people off benefits. Our strengthened competition regime has increased the flexibility of product and labour markets, backed by fair employment laws.

So the reforms that we have made since 1997—independence for the Bank of England and tough fiscal rules—mean that Britain is now more resilient and more prepared to deal with future shocks, and it is better equipped to meet the challenges of rapid global change.

We are developing new strengths in the industries of the future—the creative industries account for 7 per cent. of our economy; pharmaceuticals account for a quarter of the UK's research and development.

Ours is the only major industrial economy to see an increasing share of trade in global services—from 7 per cent. a decade ago to 8¼ per cent. today.

In the knowledge-intensive services, the UK is second only to the United States. High-tech manufacturing has grown by 30 per cent. in the last 10 years.

Driven by improved productivity, the UK's GDP per head—the average income for every man, woman and child—has gone from the lowest amongst the group of seven leading industrial economies in the early 1990s to being second only to the United States last year.

Right across the world countries have lowered their forecasts for growth in the coming year.

In Japan growth is forecast to be 1.4 per cent., in the euro area and the United States, 1.6 per cent., and in Canada, 1.8 per cent. Even in the fastest growing markets—China, India and Brazil, which have enjoyed record growth in recent years—it is expected to slow. Despite the slowdown in the world economy, in 2007 the British economy grew by 3 per cent.—the fastest growth of any major economy.

This year my forecast is that—as growth in the world economy slows further—growth in the British economy will be between 1¾ per cent. and 2¼ per cent. in 2008, but faster than that in Japan, the US and the euro area.

I expect growth to shift towards companies and exports, with growth rising to 2¼ to 2¾ per cent. in 2009 and 2½ to 3 per cent. by 2010. My forecast shows that the UK economy will continue to grow throughout this period of global uncertainty—a view supported by the Bank of England, the International Monetary Fund and the Organisation for Economic Co-operation and Development.

In the past, inflation has overshadowed many Budgets. From the 1970s until the early 1990s, the British economy suffered through the failure of successive Governments to deliver economic stability.

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We have seen recent increases in world food, fuel and energy prices. The reforms that we have made since 1997 mean we can be confident about the inflation outlook. There will be no return to the inflation rates of the early 1990s.

As is happening in many countries because of commodity prices, inflation in the UK will rise in the short term as higher oil and food prices feed through into domestic inflation. But inflation is forecast to return to target in 2009 and remain on target thereafter.

The success of the Monetary Policy Committee and the resilience of the UK economy is clear. Energy prices have tripled since 2002, but over this period inflation has averaged just 2 per cent. and growth has averaged 2¾ per cent.

To provide certainty and to build on this foundation of stability, I am today writing to the Governor of the Bank of England to re-affirm that the inflation target for the Monetary Policy Committee remains 2 per cent. on a CPI basis, which will entrench our commitment to low inflation.

The discipline we have shown on pay in the public sector will support the Bank of England in maintaining low and stable inflation. The reforms we made and this hard won stability mean that—whereas in previous decades, the UK economy suffered more than other economies in the face of global economic downturns—we enter this period of uncertainty better placed than any other major economy. For that reason, I will continue to reject proposals for a £10 billion programme of unfunded tax and spending commitments, which would put that stability at risk.

Our fiscal policy, like our monetary policy, is designed to support stability. It is founded on tough fiscal rules underpinned by the code for fiscal stability and forecast on the basis of cautious assumptions, which are audited by the independent National Audit Office. Our fiscal rules—to keep debt low and stable and to borrow only for investment over the economic cycle—deliver sound public finances in the medium term. They protect public investment and they allow fiscal policy to support monetary policy at the right time to support economic stability and growth.

Over the past 10 years, at all times we have taken the necessary action to meet our fiscal rules. The disciplines we have imposed mean that borrowing is much lower than it was before 1997, and so too is debt. Between 1979 and 1997, borrowing was 3.4 per cent. of national income. Since 1997, it has averaged just 1.2 per cent. Debt, which at the start of the economic cycle in 1997 was 43.3 per cent., has now fallen to 36.6 per cent. of GDP. It is precisely our commitment to this discipline and stability that gives us the flexibility now to respond to the global economic challenges we face today.

Given the fundamental strength of our public finances, it is right to allow fiscal policy to support monetary policy over the period ahead, helping to maintain stability in the face of global downturn. For environmental reasons, we will increase fuel duty by ½p per litre in real terms from 2010. Fuel duty is due to rise again in April, but because I want to support the economy now and help business and families, I will postpone that increase until October.

I can tell the House that our Budget projection for the current budget balance in 2008 will come in as forecast. Our projection for net borrowing, at £36 billion, is £1.4 billion lower than I forecast at the time of the pre-Budget report. Debt this year is also forecast to be lower than the pre-Budget report, at 37.1 per cent. As a result of the decisions in this and recent Budgets that come into effect this year—including a reduction in the main rate of income tax from 22p to 20p—fiscal policy is able to provide real support for the economy this year. This is a responsible approach—within the disciplines of our fiscal rules—that will help entrench the resilience of the UK economy.

Borrowing next year, which peaked at 7.8 per cent. of national income by 1993—that is equivalent to £110 billion today—next year will rise to £43 billion, some 2.9 per cent of national income, less than at its peak and less than the average level of borrowing between 1979 and 1997. And because of the decisions taken in this Budget, it will fall to 2.5 per cent., then 2 per cent., then 1.6 per cent. and then 1.3 per cent. by 2012-13, supporting stability and resilience in the economy. That is £38 billion and then £32 billion, £27 billion and £23 billion by 2012-13.

Even taking into account the turbulence in financial markets and the support we are providing to the economy now, the current balance this year is in line with my forecast at the pre-Budget report, at minus £8.8 billion. Next year it will be minus £10 billion, then minus £4 billion, before returning to a surplus in 2010 of £4 billion, then £11 billion and then £18 billion by 2012, forecast to meet the golden rule over the economic cycle. The Budget shows that we are meeting our first fiscal rule—the golden rule—with the current budget in surplus over the economic cycle.

In the previous two cycles, the then Government failed to meet the golden rule. In the cycle between 1986 and 1997, they failed by a margin of £240 billion, and in the cycle from 1977 to 1986 by £140 billion. In the past, the then Government borrowed to fund the immediate pressures of the day, with no long-term return for the taxpayer. It is vital that today our fiscal discipline means that over the cycle we borrow only to invest. Vital investment—in transport, schools and hospitals—has been protected and increased. So whereas in 1996-97 public sector net investment was £5.4 billion, over the forecast period it is set to rise further from £33 billion next year to £37 billion in 2010—the highest in three decades.

Borrowing for investment within the fiscal rules means that we will meet our second fiscal rule—the sustainable investment rule—in each year and over the cycle. This year, debt will be lower than in the US, lower than in the euro area and lower than in Japan. Debt levels are forecast to be 38.5, 39.4, 39.8, 39.7 and 39.3 per cent of GDP by 2012-13: every year lower than in 1997.

In the 18 years between 1979 and 1997, investment increased by only 20 per cent. in cash terms and reached a low of just 0.3 per cent. as a share of national income. But I can tell the House that, by 2011, investment will have increased by 500 per cent. since 1997 and will have trebled as a share of national income. By 2011, we will have seen the longest sustained expansion of investment in public services since 1945. It is an achievement that we can be rightly proud of, and we remain committed to continued investment in these public services.

Building on the platform of stability provided by the fiscal rules, successive spending reviews have delivered sustained increases in spending addressing the backlog of underinvestment in public services. Public spending grew by 3.6 per cent. a year in real terms between 1997 and 2007. Following the comprehensive spending review last October, public spending in the coming three years will grow by 2.2 per cent., building on past increases and underpinned by stretching value for money reforms.

In 10 years, spending on health has almost doubled, and spending on education is up by 58 per cent. As a result, waiting lists are down, and school standards are up. Transport spending is now 90 per cent. higher, with more people using public transport than ever before.

Aid for the world's poorest countries has doubled in real terms. The defence budget has seen the longest period of increased spending in a generation. This year, we again expect to spend over £2 billion more supporting our troops on the front line, including £900 million on military equipment.

I want to take this opportunity to pay tribute to our servicemen and women, and their families, in Iraq and Afghanistan. We are deeply proud of the bravery, professionalism and courage they display in serving our country.

This has been an exceptional commitment to improving public services. By 2010-11, we will have seen the longest sustained expansion of investment in public services in recent history. In 1997, the annual cost of servicing our national debt was 9 per cent. of public spending. Today, it is 5 per cent., freeing up an extra £23 billion each year to invest in public services—around half the entire budget for schools. In the early 1990s, as much as three quarters of all new public spending went on debt and social security costs. The figure today is just a third of that, allowing us to target spending where it is needed.

We have turned welfare into work and borrowing into wealth creation, and it is essential that we continue to help everyone who can get into work to do so, so we will bring forward further proposals to reform housing benefit to ensure that work pays. From April 2010, all long-term recipients of incapacity benefit will attend work capability assessments, helping them into work. These reforms will continue to free up resources for investment.

It is right that, like any other organisation, the public sector is as efficient as possible and that it delivers value for money. Over the past year, public sector employment has fallen. At the same time, private sector employment has grown strongly, leading to record levels of employment, which again underlines the resilience of the British economy.

All Departments have now published plans that will deliver another £30 billion in savings each year from 2010. All these savings will be reinvested in services and will examine all major spending areas to identify where further reform can be made to deliver better value for money and to maintain improvement in the public services.

The Prime Minister has made it clear that spending must be matched by reform. Reform remains vital. It is not optional; it is essential. It is common sense. Since 1997, we have responded to people's expectations for better public services after decades of underinvestment and neglect. We have driven up standards, developed a greater diversity of providers, tackled failing services, and ensured that the maximum benefit was gained from the investment that we put in.

Ten years ago there were 600 schools in which less than a quarter of pupils gained at least five good GCSEs; today, there are fewer than 50. Compared with 1997, 10 per cent. fewer people die from cancer each year thanks to faster and better treatment and more specialist doctors. But the test for public services in the future is not whether they are better than before or simply good enough. It is whether they are as good as they can be. So if the focus of the past decade was on repairing the old, the focus of the next must be on developing genuinely world-class services.

After a decade of hugely increased investment, we will continue our spending at a sustainable rate alongside our wider objectives for the economy and public services. This Budget therefore confirms the spending plans set out in last year's comprehensive spending review, and makes an assumption for continuing real growth in public spending after 2011 at a rate of 1.9 per cent. a year, which will allow departmental resources to continue to grow broadly at the same rate for the next three years.

I now want to turn to the steps that I believe are necessary to equip this country for the future. There is no greater moral imperative than to make sure that every child has the highest aspiration and ambition and the best possible opportunity to go as far as they have the talent to go—not some children, but every child in this country.

If we are to build a fairer future for our children, we must eradicate child poverty in Britain. Between 1979 and 1997, the number of children living in poverty doubled. Since then, I can report that 600,000 fewer children live in relative poverty, and we have halved the number of children living in absolute poverty. We have set ourselves an ambitious target to eradicate child poverty by 2020 and to halve it by 2010, and today I want to do more to deliver that ambition.

I will help families to escape permanently the cycle of deprivation that has blighted too many lives. Central to that is helping more parents into work. We want to demonstrate our commitment to supporting parents through a contract in which the Government undertake to provide the support that families need to move into work, and the other side of this contract is that we look to families to make a commitment to improve their situations where they can.

From October 2009, we will change the rules for housing and council tax benefit so that parents are better off in work than on benefit. As a result, a family with one child on the lowest income will gain up to £17 a week. This measure alone will lift 150,000 more children out of poverty. And I can do more to help all children of hard-working families.

In 1997, child benefit for the first child was just £11 a week. I can tell the House that, from April 2009, I will increase child benefit for the first child to £20 a week—a year earlier than planned. I will increase by £50 a year above inflation the child element of the child tax credit for families on low and middle income from April next year. That means that a family with two children earning up to £28,000 a year will be over

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£130 a year better off. To make further progress, we will spend a further £125 million over the next three years targeting help on those who need it most and where the challenges are the hardest, developing new approaches that help families in the long term. Taken together, these measures mean that even at a time when we need to take difficult decisions we are investing a further £765 million next year and then a further £950 million the following year to take 250,000 more children out of poverty.

Today I am publishing analysis on what further steps we intend to take to eradicate child poverty, and I believe that further action is also now needed to help vulnerable groups deal with rising energy prices. We want to see the 5 million customers on prepayment meters given a fairer deal and energy companies increase their support to vulnerable customers. We will work with the companies to take forward further action on a voluntary and on a statutory basis to underpin this as necessary and we will legislate when it is necessary to do so. Energy companies currently spend around £50 million a year on social tariffs. I want to see this rising to at least £150 million a year in the period ahead.

We are committed to helping people who need the help most. We are also committed to encouraging more people to save. There are now over 17 million people with individual savings accounts and, from this April, we are increasing the annual individual savings account investment limit to £7,200, while the amount that can be held in cash will rise to £3,600. Parents have now opened over 2.4 million child trust fund accounts, saving more for their children's future.

But we can go further. So I can also announce that the Government will launch the savings gateway nationally with the first accounts available from 2010. By contributing to these accounts, we will offer incentives to save to up to 8 million more people on low incomes. Ending child poverty, encouraging saving, raising ambition and providing greater opportunity—that is the objective of this Budget.

For business, my Budget provides continuing stability and certainty and introduces new opportunities for entrepreneurs and also maintains the three critical factors contributing to the strength of the UK's business environment, ensuring that we remain one of the best places in the world to do business. We will continue to promote open and competitive markets, by removing barriers to trade across the world through bilateral and multilateral trade negotiations, including the conclusion of the Doha development agenda.

Our goal is, and will continue to be, to maintain the most competitive corporation tax rate of any major economy. We already have the lowest corporation tax rate in the G7 and a competitive and simplified tax regime is essential, which is why we cut the main rate of corporation tax in 1997 and again in 1999. And from next month the main corporation tax rate falls again from 38 per cent. to 28 per cent.

The UK is one of the best places in the world to do business. We remain committed to consultation with business to maintain a stable business tax regime that remains responsive to business needs and is internationally competitive. Underlining our commitment to maximising the economic recovery of the UK's oil and gas reserves, I can also confirm reforms to the North sea oil fiscal regime to help incentivise investment and support production.

But today, I want to do more to support small and medium enterprises, now and in the longer term. Thirteen million people work in those enterprises and there are over 750,000 more small and medium firms than there were in 1997. The new capital gains tax regime will come in next month including the entrepreneurs relief that I announced in January. That will benefit over 80,000 businesses and investors in the next year alone: 90 per cent. of them will continue to pay capital gains tax at 10 per cent., one of the lowest rates in the world. This Budget continues a programme of tax simplification. I am today announcing further steps to help small companies simplify their tax calculations.

Especially at this time, we need to do more to help small and medium enterprises to get access to the finance that they need. To help them in the current conditions, I can therefore announce that funds available through the small firms loan guarantee scheme will be increased by £60 million for the coming year. I am from next month extending the scheme to all small and medium firms. I am also increasing the amount of investment on which tax relief is available under the enterprise investment scheme from £400,000 to £500,000 and the employee share limit for tax relief under the enterprise management incentive scheme will increase from £100,000 to £120,000. The Secretary of State for Business, Enterprise and Regulatory Reform will consult with radical new proposals to impose a limit on the amount of regulation that can be imposed by Whitehall Departments. I will also provide a capital fund of initially £12.5 million specifically to encourage more women entrepreneurs.

There is also more I can do to ensure that small and medium firms win more business from the public sector, so we will take immediate steps to give firms better access to Government contracts and help them with their cash flow. I am asking Anne Glover, the chief executive of Amadeus Capital Partners, to look into what other barriers we can remove and the practicality of also setting a goal for small and medium enterprises to win 30 per cent. of all public sector business in the next five years. I believe that that could help promote enterprise in one of our most innovative and dynamic areas of the economy. I also believe that we can help support them grow their businesses, which will create new jobs and opportunities.

We welcome the contribution made by people born outside the UK who choose to come and work here. They are an important and central contributor to our economy's growth and prosperity. They pay their taxes on their earnings here; they also pay tax on the money they bring into this country from abroad. But for those non-domiciled individuals or families who have chosen to make Britain their home, I believe that it is right and fair that they should, after seven years, pay a reasonable charge to maintain the right to be taxed differently from other UK residents. Beyond that, as I have said before, we will not seek to charge UK tax on offshore income or capital gains that are not brought into the UK. This new charge will be implemented from April. There will be no further changes to this regime for the rest of this Parliament or the next. *[Interruption.]*

Last October, I said that I would also consider a scheme that claimed to raise an additional £2.8 billion from people who are non-domiciled. On closer examination, it was clear that the sums that did not add up—not for the first time, given the source from which that representation came—and I rejected it. We will continue, though, to be vigilant against tax avoidance, and we are publishing today further measures to ensure fairness for all taxpayers.

If we are to compete in the future, it is essential to do even more to drive up standards in education and improve skills. Increased spending on education has benefited children right across the United Kingdom. We have cut the number of underperforming schools dramatically in the last decade and building on last year's spending review will raise standards even further to create greater opportunities for children.

So the Secretary of State for Children, Schools and Families will be investing £200 million to bring forward by a year to 2011 the Government's aim for no schools to have fewer than 30 per cent. of its pupils achieving five A* to C GCSEs, including English and maths. We will also extend the successful London Challenge model to enable the best head teachers to turn round low-performing schools, to create new trusts and federations around successful schools and, in areas of greatest need, to drive forward a faster expansion of our academies programme. As a result, by 2011, we will ensure that every school is an improving school meeting the standards that we have set.

I can announce today that we will commit £10 million over the next five years, which, alongside contributions from the Wellcome Trust and private sector, will create a £30 million Enthuse Science fund. That will give every science teacher in secondary and further education access to high-quality professional development, helping to improve the science on offer in today's schools.

To improve skills, the spending review last year increased the amount of money for adult training. Extra funding will enable nearly 3 million adults to gain new, high-level skills by 2011. Today I can also announce an extra £60 million over the next three years to provide new opportunities for people to gain the skills they need to enter the labour market, to remain in and progress through work. That includes additional apprenticeships with leading employers to help tackle skills gaps and shortages.

By 2010, we will be spending over £6 billion a year supporting British science and innovation. Tomorrow, the Secretary of State for Innovation, Universities and Skills will publish the science and innovation White paper, which will include proposals for a further education innovation fund to help support businesses to develop their innovative potential.

If we are to compete in the future, not only do we have to have the best business environment and higher skills levels, but we also need good transport links to make up for decades of under-investment. In the last 10 years, we have doubled the amount of money that we spend on transport—£7 billion on the west coast main line to cut journey times—and public transport usage is at a 25-year high.

Last November, following the Government's investment of £6 billion, we saw the completion of the channel tunnel rail link and the opening of the St. Pancras international station. This week, terminal 5 opens at Heathrow. Today, I can announce new measures at Heathrow and other airports to ensure greater use of biometric technology to speed up the time that it takes passengers to get through immigration control. Government funding for Crossrail is now secure and that will support economic growth not just in London but in the whole of the United Kingdom by adding an estimated £20 billion to national income. That will help London retain its position as the world's pre-eminent international financial centre.

We are spending more on public transport, and we also need to spend more to reduce congestion and improve transport links. If we are to remain competitive over the next 20 to 30 years, we need to take more radical steps to reduce congestion on our roads. We do need more capacity on the roads, but we cannot build our way out of all the problems we face.

Last week, the Secretary of State for Transport announced further measures to ease congestion. In addition, she has made available funding to develop local schemes to tackle congestion in the short term. In the longer term, though, road pricing could reduce congestion in the future, as well as helping to meet our wider environmental obligations, so I am setting aside new funding to develop national road pricing, inviting tenders to test road-pricing technology, with the results expected next year.

Just as we need good transport links, we also need to make sure that we have more housing to meet the rising demand for homes as well as to support our growing economy. Since 1997, as a result of historically low mortgage rates, we have seen 1.5 million more home owners. Already, we have helped 95,000 families into new homes through shared ownership and shared equity schemes. We will now spend £8 billion more on new, affordable and social housing over the next three years. That will enable the Housing Corporation to develop 70,000 new affordable homes each year over the next three years.

But I want to go further. From this April, key workers, such as teachers and nurses, and first-time buyers will be able to borrow money from new shared equity schemes. Up until now, those were available only to people who could afford three quarters of the price of their new home. I am now extending the scheme to help those able to afford half the price of their new home. I can also announce that, from today, stamp duty on shared ownership homes will not be required until buyers own 80 per cent. of the equity in their home.

It is precisely at this time that we need to do more to promote longer-term stability for home owners and mortgage holders. Already, the reforms we have introduced have created much greater stability with consistently low mortgage rates for home owners. However, the uncertainty in the financial markets is having an impact on mortgage lenders here in the UK, so I want to take measures that will keep mortgage rates low and stable.

In 2006, 30 per cent. of mortgages agreed in the UK—£100 billion of lending—were funded through secondary funding markets. Current conditions in these mortgage markets are extremely difficult because of the financial turbulence in global markets. In some countries, those markets are closed. It is, however, imperative that lenders have access to stable and

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low-cost funding so that mortgage rates can come down as soon as possible. We want to bring together investors and lenders with the Treasury, the Bank and the Financial Services Authority to find market-led solutions to strengthen these funding markets further.

I also want more people to have the choice of a long-term fixed mortgage. These protect borrowers from risks and allow them the flexibility to move and to get a new mortgage if rates go down. Today, however, most people in the UK have short-term fixed-rate mortgages for two or three years, leaving them exposed to interest rate rises when their mortgage deal ends. That is not the case in other countries—Denmark, for example—where the majority of home owners take out long-term fixed-rate mortgages. I want to see more flexible and affordable long-term fixed-rate mortgages for 10, 20 or 25 years.

I am today publishing the findings of a review of housing finance in the UK. The conclusions show that long-term fixed-rate mortgages can reduce some of the risks of taking out a mortgage, especially for first-time buyers and lower-income families, and this will help more people get on to and stay on the housing ladder. So I want to seek views on how we can deliver—drawing on international experience—the right framework for the UK to achieve long-term fixed-rate mortgages, and I will report back in the pre-Budget report.

The best way to improve long-term affordability and stability is to build more houses, which is why we are committed to building more homes by 2020. So I can announce that in addition to the 40,000 already under construction, we have, through the review of public sector land, identified sites for 70,000 more houses.

We are determined to take decisions now for the long-term future of our country, helping to improve affordability, supporting long-term stability for home owners, and meeting the needs of future generations, and our greatest obligation to the future must be to tackle climate change. Britain has been at the forefront of international action. We are one of the few countries to meet our Kyoto target. We are working with other countries following agreement in Bali last year to agree tougher global goals after 2012, and the UK will use our £800 million environment fund to work with the United States, Japan and other countries, as well as the World Bank, to fund clean technologies in developing countries and adaptation to climate change.

We are already the leading financial centre for carbon markets, and we are also working with California and other American states to build these markets and strengthen partnerships. We need to do more and we need to do it now, though. Few doubt the science. The need to take action is urgent; the effects if we do not will be catastrophic.

Recognising this threat, we are the first Government anywhere in the world to introduce legal targets compelling us to take action to cut carbon emissions. We have established a target to reduce emissions by at least 60 per cent. by 2050, but I believe that we should go further. That is why we have asked the committee on climate change to advise us on whether, as part of an international commitment, we should raise our target not to 60 per cent. but to 80 per cent. And if we are serious about reaching demanding targets, every Government, every Department in Government, every single public sector body, every business, every one of us needs to play our part. To ensure that carbon reduction is a central part of our economic objectives, I can tell the House that the first carbon budgets to 2022 will be announced alongside the Budget next year.

Long-term growth must be sustainable. There are huge opportunities there too for businesses, and there could be over a million jobs in our environmental industries within the next two decades. Meeting these long-term challenges will require us to make substantial reductions in emissions across the economy, in energy supply, in transport and in our business and our homes. But I believe there are three key steps that we can take now.

First, working within Europe we have helped to build the emissions trading scheme to curb the amount of carbon produced by generators and large industrial users. The scheme imposes a cap on the amount of carbon that companies can generate. Companies get allocations for credits to help them to adapt. But if we want to encourage investment in low-carbon technology, in energy renewables and in nuclear, for example, and if we want to make the industry more carbon-efficient, we need to go further. So in the next phase, instead of auctioning of just 7 per cent., I want to see auctioning of 100 per cent. of these allowances for electricity generators. Last year's energy White Paper committed us to increasing the supply of renewable energy, and the Energy Bill now going through Parliament will allow us to triple renewable energy by 2015. We will consult on how to meet our share of the European Union target in the summer.

Secondly, we need to do more to reduce the amount of carbon generated at home and at work. Given the damage that single-use carrier bags inflict on the environment, we want to be able to take action now, so we will introduce legislation to impose a charge on them if we have not seen sufficient progress on a voluntary basis. Legislation will come in in 2009, and on the basis of other countries' experience it could lead to a 90 per cent. reduction, with around 12 billion fewer plastic bags in circulation. The money raised should go to environmental charities.

Next month we will launch the most ambitious household emissions reduction programme. Energy companies are obliged through the carbon emissions reduction target to give their customers better deals for energy efficiency and therefore cut bills. This means cavity wall insulation for nearly 3 million homes, loft insulation and more energy-efficient appliances. I can announce funding of £26 million next year for a Green Homes service to help people cut their carbon emissions and their fuel bills. We will also extend the use of smart meters to medium and large companies over the next five years to provide them with greater incentives to reduce the amount of energy that they consume.

We already have a target to make new homes zero-carbon from 2016. I believe that we need to go further, and I can announce today that new non-domestic buildings will become zero-carbon by 2019. We will consult on achieving that target, with the potential to achieve 75 million tonnes of carbon dioxide over the next 30 years. The climate change levy, which is the main reason why we have met our Kyoto targets and which is still opposed by the Conservative party, will increase in line with inflation from April.

I believe that the third key area in which we need to take action now is transport, which accounts for nearly a third of our carbon emissions. We recognise the contribution of aviation to the UK economy, which is why we support expansion at Stansted and Heathrow, but I have always been clear that aviation must meet its environmental costs, and that is why we want it to be in the European Union emissions trading scheme. Because emissions from aircraft are forecast to continue to grow, I am also announcing that revenue from the duty will be increased by 10 per cent. in the second year of operation. But Britain's 30 million cars, vans and lorries together account for 22 per cent. of total carbon emissions. Over the last 20 years new cars have become 50 per cent. more efficient, and new technology will bring further improvement.

Today I am publishing Professor Julia King's review of low-carbon cars, in which she examined new technologies which could help to cut carbon emissions further. Professor King found that simply by switching to the cleanest cars on offer, motorists could save 25 per cent. of their fuel costs. She also found that manufacturers needed to be encouraged to bring new technology to the market. I am asking the European Commission today to set a tighter target which reduces the cap on emissions from 130 g per km to 100 g per km by 2020.

But I believe that the road tax system should do more to support the use of more carbon-efficiency, and therefore less costly cars. It will continue to reduce the average carbon dioxide levels in new cars. First, I propose a major reform of vehicle excise duty from 2009 to encourage manufacturers to produce cleaner cars with the introduction of new bands. There will be an incentive to encourage drivers to choose the least polluting car.

As a second stage for new cars, from 2010 there will be a new first-year rate based on carbon dioxide emissions from the car. Cars that emit less than the proposed 130 g European standard will pay no car tax at all in the first year, but a higher first-year rate will be introduced for the most polluting cars. Cutting taxes for those who cut carbon emissions; but it is right that if people choose to buy a more polluting car, they should pay more in the first year to reflect the environmental cost. These changes will provide a real incentive for both manufacturers and motorists.

We must encourage sustainable biofuels, and therefore the biofuel duty differential will be replaced by the renewable transport fuel obligation. I am also reforming capital allowances for business cars to increase the incentive to move to lower-emitting cars.

Today is No Smoking day, and from 6 pm the duty on tobacco will rise, adding 11p to the price of a packet of 20 cigarettes and 4p to the price of five cigars. To help people stop smoking, we are continuing the 5 per cent. reduced rate of VAT on smoking cessation products beyond 30 June this year.

Mr. Deputy Speaker, as incomes have risen, alcohol has become more affordable. In 1997 the average bottle of wine bought in a supermarket cost £4.45 in today's prices; if you into a supermarket today, the average bottle of wine will cost about £4. So from midnight on Sunday, alcohol duty will increase by 6 per cent. above the rate of inflation. Beer will rise by 4p a pint, cider by 3p a litre, wine by 14p a bottle and spirits by 55p a bottle, and those duties will increase by 2 per cent. above the rate of inflation in each of the next four years.

It is only because I have taken these decisions on alcohol and on closing tax loopholes that I am able to provide additional support for families and lift more children out of poverty. It is also why I am able to make two further announcements, while still meeting our fiscal rules. As the House will know, the basic rate of income tax will fall by 2p in April. Because charities have a vital role to play, we will therefore implement a transitional rate of 22 per cent. to allow them to continue to claim gift aid at the current rate, delivering £300 million-worth of relief. It will provide charities with certainty for the next three years.

I also said that one of the key features of this Budget is fairness and I want to do more to help older people, especially this year. We are spending £11 billion more in real terms per year on pensions, with over half this extra money going to pensioners on the lowest incomes. From April, as a result of the changes we made last year, a further 600,000 pensioners will be taken out of paying income tax. The pension credit now guarantees a minimum income of £124 a week from April.

Before 1997, there was no winter fuel allowance. For this year, I have decided to help pensioners who are facing pressures such as high energy bills, so I intend to raise the winter fuel payment for the over-60s from £200 to £250 and for the over-80s from £300 to £400. Nine million pensioner households will be better off.

This is a responsible Budget to secure Britain's stability in the face of global uncertainty. I have made my choice: responsible decisions, not irresponsible, unfunded promises; fairness and opportunity for everyone in Britain to secure a strong and sustainable future. I commend this Budget to the House.

PROVISIONAL COLLECTION OF TAXES

Motion made, and Question,

That, pursuant to section 5 of the Provisional Collection of Taxes Act 1968, provisional statutory effect shall be given to the following motions:—

(a) Rates of duty on alcoholic liquor (motion No. 8);

(b) Rates of tobacco products duty (motion No. 9);

(c) Rates of vehicle excise duty (motion No. 13);

(d) Amusement machine licence duty (motion No. 18); and

(e) Alternative property finance (motion No. 55).—*[Mr. Darling]*

put forthwith, pursuant to Standing Order No. 51 (Ways and means motions), and agreed to.

Mr. Deputy Speaker: I now call on the Chancellor of the Exchequer to move the motion entitled "Amendment of the law". It is on that motion that the debate will take place today and on the succeeding days. The remaining motions will be taken at the end of the budget debate, next week.

Budget Resolutions

AMENDMENT OF THE LAW

Motion made, and Question proposed,

(1) That it is expedient to amend the law with respect to the National Debt and the public revenue and to make further provision in connection with finance.

(2) This Resolution does not extend to the making of any amendment with respect to value added tax so as to provide—

(a) for zero-rating or exempting a supply, acquisition or importation,

(b) for refunding an amount of tax,

(c) for any relief, other than a relief that—

(i) so far as it is applicable to goods, applies to goods of every description, and

(ii) so far as it is applicable to services, applies to services of every description.—*[Mr. Darling.]*

1.23 pm

Mr. David Cameron (Witney) (Con): It is not difficult to see what is wrong with the Budget. It is not just that it was, on the whole, a dire list of reviews and re-announcements delivered with all the excitement of someone reading out a telephone directory, although that did not help. But people watching this Budget for the last hour will conclude that the Chancellor and the Prime Minister live in an entirely different world from everybody else. Every time people refinance their mortgage, it is costing them more. Every time they fill up their car, they are paying more. Every time they shop, food bills are higher. Yet every time they get a tax bill, they are paying more. There was no recognition of that in the Budget. The cost of living is going up and Labour is making it worse. Everybody has now learned the cost of living under Labour.

Everybody listening to the Budget will have noticed something else. This Government and the Prime Minister took all of the credit when the global economy was growing, but now there are difficulties, they will not take any of the blame. Here are some of the things that they would not tell us in the Budget. The Chancellor boasted about trade, but he did not tell us that the current account deficit is set to rise to a record £72 billion. That was on page 165 of the Red Book. He told us about investment, but he did not tell us that the rate of growth of business investment is slumping by two thirds. That is on page 163 of the Red Book. He talked about debt as a share of GDP and boasted about his rules, but if we include Northern Rock, debt as a share of GDP is 43.8 per cent., busting his fiscal rule.

The Chancellor made one central claim at the heart of his Budget: he told us that Britain is well prepared for economic slowdown. I have to tell him that he is absolutely wrong. As this country enters troubled times, it could hardly be worse prepared. We have the highest tax burden in our history.

The Secretary of State for Children, Schools and Families (Ed Balls): So weak!

Mr. Cameron: "So what?" says the Secretary of State for Children, Schools and Families. I know he wants to be Chancellor so badly it hurts. I have to tell him that another Budget like the one we have just heard and he will not have to wait very long.

We have the highest Budget deficit in western Europe. Today, the Chancellor told us that borrowing would be up by £20 billion over the next four years. Those are truly dreadful figures; there is a £7 billion increase in the next year alone. We have the highest interest rates in the G7, which means that on top of high taxes, home owners and businesses have a higher interest rate burden, too. Today, for the second time in his very short period as Chancellor, he downgraded his growth forecast once again—not that he could bring himself to use that word.

High debt, high interest rates, high taxes and now lower growth—those are the facts that this Budget cannot hide. They tell the story of just how badly prepared we are for the downturn. We all know why: because in the years of plenty, Labour Governments put nothing aside. They did not fix the roof when the sun was shining. What better metaphor could there be today, when it has started to blow off at No. 11 Downing street?

What we needed in the Budget was real leadership and a serious plan to get this country out of the mess that they have made. We need a Government who help people when times are tough; instead, we have a Government who kick them when they are down. The key test of competence for any Government is not how they perform when things are going well, but how well prepared they are to cope when things get tough. The key question at these times is how much room for manoeuvre one has given oneself. The answer with the Government is, "No room for manoeuvre at all."

In America, they are cutting taxes by 1 per cent of national income. In Sweden, there is a 2 per cent budget surplus to help them out. *[Interruption.]* I am not surprised that hon. Members do not want to hear the consequences of the waste and incompetence of the last decade with their Prime Minister. In other countries, they are debating what to do with their surpluses. In this country, there is no debate because there is no surplus. In Britain, we have nothing—no room for manoeuvre on the deficit, no room for manoeuvre on interest rates and no room for manoeuvre on taxes. I want to take each of those in turn.

On debt, the Government said that they would borrow £47 billion over the last five years. In fact, they have borrowed £165 billion—over £100 billion more debt than planned. Today, it is worse again. They have told us that the current Budget deficit is up another £23 billion over four years. That is the extent of the Government's economic incompetence.

This Chancellor, just like the last one, likes to read out the league tables. Let me read a list of major countries with deficits higher than Britain: Hungary, Pakistan and Egypt. That is the league of debt to which we have been relegated today. For years the Prime Minister and the Chancellor liked to tell us about their fiscal rules and how they would stop us getting into this kind of mess. The Chancellor tried today, and I do not know how he did it with a straight face. The truth is that they have forgotten the most important rule of all:

in good years you put money aside for bad years, because you cannot spend money that you have not got.

We are ill-prepared on fiscal policy; let us look at monetary policy. Again there is virtually no room for manoeuvre. The Chancellor boasted about low inflation, but let us listen to what the Governor of the Bank of England expects. He predicts

"inflation rising sharply alongside a marked slowing in growth",

and it says on page 139 of the Red Book that inflation—on whichever measure we take—is higher now than in May 1997. That is why the Bank of England has the highest interest rates in the G7. But the situation is in fact worse than that. Let us look at the real figures for inflation. Food inflation: 7 per cent. Housing costs: up 8 per cent. Petrol and oil: up 19 per cent. That is the real inflation paid by families in Britain.

If anybody still needs proof of how little room for manoeuvre the Chancellor has, they should just take a look at what is happening to taxes. While our competitors are cutting taxes on enterprise, the Chancellor confirmed today that he is putting such taxes up. Capital gains tax: up by £700 million when we are heading for a downturn. Taxes on family businesses: up by £200 million—that is the new income-shifting rules for family businesses that he did not even mention in his speech. Corporation tax on small businesses: up £800 million as we head for a downturn. This is a crazy way to respond to a slowdown—hitting the very people who create the wealth, the jobs and the investment that this country so badly needs.

However, the true extent of the Chancellor's dreadful predicament is the fact that the Budget—*[Interruption.]* I am going to mention something that last year was the centrepiece of the tax-con Budget, but which this year does not get even a single mention. He is abolishing the 10p starting rate of tax. That is the tax con that Labour Members all cheered so loudly last year, and soon they will find out what it means. Low-paid NHS workers will have to pay more tax. Part-time teaching assistants will have to pay more tax. *[Interruption.]* Is the Prime Minister shaking his head? Well, that is the Budget that he introduced. Our soldiers fighting in the heat and dust of Afghanistan will pay more tax. That is the consequence of the tax con. *[Interruption.]* Labour Members say, "Shame"; well, they should be ashamed for taxing our soldiers more. The fact is that 5.3 million of the lowest paid will be worse off, and what have the Government got to say to them? They say, "If you fill in a form, some of you can get some of the money back." Taking away people's money, reducing self-reliance and increasing people's dependence on the state: that tells us everything we need to know about this Prime Minister and this Chancellor.

Let me explain what we would do differently. We would ensure that higher green taxes were paid into a family fund and were used to cut taxes on all Britain's hard-pressed families. We would help business by sweeping away the allowances and reliefs and cutting the headline rate of corporation tax. We would target tax on binge drinkers, not on every responsible drinker in this country who wants a glass of wine or a pint of beer at the end of a hard day's work.

What was the most important thing the Chancellor should have done in this Budget? He should have set a long-term strategy for economic policy that learns the lessons of the waste and extravagance of the last decade. He should have set out how to share the proceeds of growth so we could get borrowing and tax rates down. That would help not only Britain's families, but Britain's businesses, too.

Business knows just how bad this situation is. The CBI says it is now like a "banana republic". *[Interruption.]* Those are its words; that is the effect of the prawn cocktail offensive of all those years ago. The British Chambers of Commerce says the Government have "lost the plot". Nine in 10 small businesses have lost confidence in the Government. Business has fallen out of love with Labour. The very least businesses expected was competent leadership in uncertain times, but all they have got is dithering.

Five months ago, the Chancellor stood at the Dispatch Box and proposed changes to capital gains tax; all the Labour Members cheered, and the policy fell apart. Five months ago, he announced his plans on non-doms; they all cheered, and the policy fell apart. Month after month, the Government said they did not want to nationalise Northern Rock, and they did. They cancelled the general election, which, unbelievably, they had planned to fight on the issue of competence, and they promptly lost half the country's personal data in the post.

Who is to blame for this? It is tempting to blame the Chancellor; after all, he has had the most disastrous start of any Chancellor in modern history. But I do not think that would be fair. Let us be in no doubt as to the real source of this Government's problems. Ask any question about this Budget, and the answer comes back to one man: the Prime Minister. Why is the Chancellor hitting the low-paid with higher tax? Because his predecessor put it in his Budget last year. Why is the Chancellor left with the biggest Budget deficit in western Europe? Because the Prime Minister spent all the money in the last 11 Budgets. Why is the Chancellor imposing £1 billion in extra taxes on capital gains and family businesses? Because the Prime Minister got himself in a panic trying to copy our proposals on inheritance tax. This country should not be in any doubt about the source of the difficulties that Britain is now in: the Chancellor was put in a hole by the Prime Minister and they both kept digging.

What is the situation now? We have the highest taxes in history, the highest deficit in western Europe, the highest interest rates in the G7—*[Interruption.]* I thank the Secretary of State for Children, Schools and Families for his comment; I know he is Minister for children, but he does not have to behave like one. We have all of that, and the Government are asking us to trust them to get the country out of this mess. They just do not get it. The City may be having a credit crunch, but this Government have a credibility crunch. The Treasury has run out of money, and they have left Britain running on empty.

All over this country, people are asking questions: "I am paying more tax, so why is my post office closing?" and "I am paying more tax, so why is my maternity unit closing?" and "I am paying more tax, so why do I see so much waste and incompetence?" The answer is sitting opposite me. Never has so much money been raised in taxes spent and wasted. Never again should we be so unprepared for a world downturn. Never again should there be so little room for manoeuvre

[Mr. Cameron]

when things get tough. This Budget shows the whole country the cost of living under Labour, and everyone will conclude that the Prime Minister, who got us into this mess, cannot possibly be the person to get us out of it.

1.36 pm

Mr. Nick Clegg (Sheffield, Hallam) (LD): I am told that during the Government's previous 10 Budgets Prime Minster Blair did not know what the proposals would be until Chancellor Brown rose to his feet in the Chamber. This time, the situation is exactly the other way round: the Chancellor is the Prime Minister's creature, struggling to clear up a mess left by his boss under instruction from No. 10. What we have seen today is an act of political ventriloquism. I would like to compliment the Prime Minister: I watched him very closely, and his lips barely moved all the while that the Chancellor was speaking.

This Budget has inevitably brought a lot of bad news. It has also massively over-egged and exaggerated any good news. Why, for instance, did the Chancellor not admit in his statement that the winter fuel allowance increases are a one-off? How can he bring himself to play with the hopes and expectations of some of the oldest and most vulnerable people in our society? Is this just another pre-election bribe? Are we now to expect an election in 2009?

There are tough times ahead, of course, and the world economy remains uncertain, so this was an opportunity to give whatever help possible to the millions of hard-pressed families who are feeling the pinch—whose money simply does not stretch as far as it once did—but the Chancellor has not delivered such a Budget. This is a meagre, tinkering Budget, which gives precious little help to the poor but maintains special treatment for the rich. It is a Budget designed to fill a black hole, masquerading as good for the environment. It is a Budget that will not make Britain fairer. It is a Budget that is a green cop-out.

The Chancellor bravely suggests that the problems afflicting our economy were all caused elsewhere. He has to do that; he cannot tell the truth. He cannot blame his boss; a monkey never blames the organ grinder. It is deeply disingenuous to claim, as he did, that a housing market crash in the United States is the main reason for our economic woes. The reality is that a swelling tide of personal, private debt secured against high house prices that are now declining is creating the conditions for a perfect economic storm. High oil and food prices make it difficult for the Bank of England to cut interest rates, and with Britain now up to £2 trillion in debt, the Chancellor has backed himself into a corner with no room for manoeuvre. The sustainable debt rule is in tatters, even without Northern Rock and private finance initiative projects being put on to the national accounts, and the "golden rule" has become the "gamblers rule". Deep in the red, the Government keep betting more and more of our money in the hope that someday, somehow, they will find themselves back in the black. As we have heard today, that prospect is moving ever further into the distance.

We heard much today about the Chancellor's wish to cut child poverty, but the meagre, piecemeal reforms that he is introducing to the chaotic tax credit system will not get the Government anywhere near meeting their 2010 child poverty target. By my reckoning, only about a third of what is needed is being provided; the ridiculously complex set of proposals that we have heard about today will be difficult for the most hard-pressed families to understand. Using the Government's own calculations, the Chancellor would have to find an additional £3.5 billion to stand even a faint chance of achieving their goal, and they are nowhere near doing that. The reality is that this Government's approach to child poverty has failed. If we are to abolish child poverty for good, we must increase not only income but opportunity. We must target more investment to help the poorest children in our schools and offer them genuine opportunity for life. Crucially, we must deal with the link between poor housing and persistent poverty.

This Budget was widely trailed by the Treasury as the greenest ever, but at the first sign of political difficulty the Government have run away, by postponing the petrol duty increase until October. The fact is that the real cost of motoring has fallen consistently over the past two decades while the real cost of public transport has risen by a third. We of course welcome the Government's increasing vehicle excise duty on the most polluting cars. Like many of the Treasury's best proposals—nationalising Northern Rock, reforming aviation tax and increasing stamp duty thresholds—that started life as a Liberal Democrat policy. We have got used to the fact that a while after we have a good idea, the Treasury, too, finally gets round to realising it is the best way forward.

Green taxes should be revenue-neutral. They should not be treated as a wheeze to squeeze ever more money out of the British people, but should instead be designed to encourage green behaviour and cut the taxes of the most needy. By my reckoning, the figures that we have heard today will mean that the Government will be taking approximately £1.7 billion in new green taxes, but less than £1 billion of that will be spent on the poor. Much of the revenue from those green taxes, plus other duties, will clearly go straight back into the black hole that the Prime Minister and the Chancellor have created in the UK's finances. By 2010, an additional £1.9 billion will go straight to filling that black hole. This is not a Budget for the environment; it is a Budget driven by fiscal incompetence and political desperation.

Is it not the case that the only people who will welcome this Budget are those at the top of the income scale, not those at the bottom? The Government's policy on non-doms is laughable. Their new poll tax, which the Conservatives unsurprisingly support, will be wildly punitive for ordinary foreign workers, but it will be no more than a flea-bite for foreign billionaires, who have come to regard the United Kingdom as nothing more than a tax haven.

The Government's approach to capital gains tax policy continues to be mired in chaos. It is frankly amazing that the Chancellor has contrived to create a tax change that has caused howls of anguish from businesses and cries of derision from commentators but still allows hedge fund managers to pay lower rates of tax than their cleaners. Surely it would make more sense to return to the capital gains tax system of Nigel Lawson—not a man with whom I readily agree—and tax capital like income. Until the two taxes are united,

we will continue to see mass tax avoidance by the wealthy, presenting their income as capital for a 23 per cent. tax break. Surely this is also the time to take a much wider look at tax avoidance by big business. It is scandalous that companies such as Tesco avoid paying millions in stamp duty by placing British properties in foreign special purpose vehicles, which are based in offshore tax havens.

Finally, the Chancellor's announcement on fuel poverty is, once again, too little, too late. Why has he not had the guts to claw back the huge excess profits made by energy companies thanks to the emissions permits that the Government have given them for free? Some 4.5 million people still live in fuel poverty, but the Government's 2010 fuel poverty target appears to have been conveniently shelved by Ministers. Limiting his measures to prepayment meters and only a modest increase in money for social tariffs does not go nearly far enough. Surely this is the time to compel all energy companies to introduce real, fair, social tariffs for all vulnerable people, not just those on prepayment meters.

This Budget gives no real help to families struggling with higher food bills, higher energy bills and higher debt repayments. What will this Budget do to help junior nurses, teaching assistants and soldiers serving in Afghanistan? The answer is nothing. What we have got instead is a sequel to last year's Budget, when the Chancellor's predecessor scandalously raised taxes exclusively on people earning less than £18,500 per year who do not get tax credits. What will the Chancellor say to those most vulnerable people when their income goes down in three weeks' time?

After 11 years in government, Labour has today completed its fiscal fusion with the Tory Party. Both parties believe in the same kind of Budget: the kind of Budget that kowtows to vested interests, but fleeces the average family; the kind of Budget that keeps tax loopholes for the super rich, but closes in mercilessly on single mothers who have been overpaid tax credits; and the kind of Budget that uses green taxes as an excuse to take more money from the kitty of low earners. This is not a green Budget. This is not a people's Budget. This is a tinkering, con-trick Budget that protects the rich and abandons the poor.

1.46 pm

John McFall (West Dunbartonshire) (Lab/Co-op): I welcome the opportunity to speak in the Budget debate. Given the economic instability and turbulence in the markets, I am delighted that the Chancellor referred to the targets on child poverty—a primary target of the 1997 Government—the initiatives on environmental taxation, the savings gateway and the measures for elderly citizens. He did so against a background of economic turbulence and the globalised world in which we live. Indeed, only yesterday the Federal Reserve put $235 billion into the market by providing Treasury securities to the bond market for it to accept as ordinary triple-A-rated mortgages for collateral. That was done to encourage banks to lend to one another.

We are in the Northern Rock situation because of a failure of the private sector in the United Kingdom. We face the global crisis because of a failure of the private sector in the international system. The Treasury Committee has examined Northern Rock over the past six months, producing a report on "The run on the Rock". Just as importantly, it produced a report a few weeks ago on "Financial Stability and Transparency", pointing the way forward for the Government and the international community. We said that markets need a clear message about the risks that they are taking. We could see that in the Northern Rock fiasco, its board in particular did not appreciate the risks that it was taking. We are thus asking the Financial Services Authority and the Bank of England to ensure every year that their warnings are heeded, and that they come out with two or three main issues for boards to study. The boards should then report back to the FSA and the Bank of England that they have understood those messages.

I can only describe what we have seen in the markets as a bout of collective madness. How much write-down is taking place at the moment? On the Committee's visit to the United States in December, I was told that we could be talking about $600 billion, but a senior economist at the UBS bank is talking about $1 trillion, and others are coming out with figures of $2 trillion, $3 trillion or $4 trillion. We do not know where we stand at the moment, but there is no doubt that things will get worse. We must remember the globalised background against which events in the United Kingdom are taking place.

The reason for that situation is that the low inflation and low interest rate environment of the past decade has encouraged a search for yield, which has resulted in complex and opaque products. The designers of those products often do not understand what they are producing. We had the chairman of an investment bank before the Treasury Committee, and when I asked him what a CDO-squared was, he said that he was not there to explain that. If the designers did not understand them, certainly investors did not.

Rob Marris (Wolverhampton, South-West) (Lab): Tell us.

John McFall: CDOs are collateralised debt obligations, and I shall explain the CDO-squared to my hon. Friend over a cup of tea in the Tea Room if he is interested.

Investors did not exercise due diligence when considering such products. They equated complexity with security. That has been compounded by the role of the credit rating agencies. All the members of the Committee appreciated that the credit agencies' conflicts of interests need to be sorted out. The agencies are paid by the issuers, which is unacceptable. The Basle II international agreement must be examined, because we need to correct the perverse incentive for companies to meet the capital adequacy requirements by reducing their liquidity. That has to stop. There are both national and international elements to the current situation.

Mr. Philip Dunne (Ludlow) (Con): Does the Chairman of the Treasury Committee share my disappointment that the Chancellor did not have the courage to refer to Northern Rock on a single occasion in his Budget speech? Given that he has just taken on a potential £100 billion of public debt, surely the Budget provided him with an opportunity to explain how it would be treated in the public accounts.

John McFall: The hon. Gentleman is a very good member of the Treasury Committee, so he knows that we have been studying the matter in depth for six months and made reports to the House. I can only quote a wise old central banker from the City who said to me, "John, there have been no casualties in this. Nobody has lost any money, and the system has been stabilised." The public's response shows that they share that sentiment. I am not surprised that the Chancellor did not mention Northern Rock, because it has been the focus for six months, and arrangements have been put in place.

I wish to cover a number of matters. The first is economic prospects and forecasts. The second is fiscal policy and fiscal sustainability, and the third is child poverty. I was one of the 72 Members who wrote a letter to a national newspaper last week urging the Chancellor to ensure that the child poverty targets were re-established. The fourth is environmental taxation, the fifth is the savings gateway and the last is rogue trading and insider dealing.

When considering the economic prospects and forecasts, I am mindful of the globalised, turbulent background. At the time of last year's pre-Budget report, the Treasury's forecast was for economic growth of between 2 per cent. and 2.5 per cent. in 2008, and between 2.5 per cent. and 3 per cent. in 2009. That forecast was prepared when the wider economic situation was far from clear. When the Committee reported on the pre-Budget report last November, we cautioned that there remained a risk that the credit crunch would have a greater economic effect than expected. That has been confirmed today by the downgrading of those economic forecasts. We also observed that the Treasury's optimism that the economy would revert to trend in 2009 was not adequately explained. When the Chancellor and others come before the Committee, we will wish to test whether the new forecasts are realistic.

I expect the Committee to focus particularly on three areas of risk. First, the Government have been looking for a growth in exports as part of the rebalancing of the economy. The International Monetary Fund is now forecasting US and eurozone growth of well below 2 per cent. for 2008, with world economic growth as a whole at its slowest rate since 2003. If exports are to grow significantly against that backdrop, exports to growing markets, including China, India and the oil-rich countries, will need to increase.

In some of those markets, the UK has not performed as impressively as some of our European competitors. On a visit to India 18 months ago, the Committee was made aware that the links between the UK and India could be developed. We were convinced that the UK's exports to India could complement what is happening there rather than challenge it. Developments could take place in high technology, and particularly clean coal technology. I would also like to see further developments between the UK and China in that area.

Secondly, the Committee will consider the fact that the UK's growth in recent years has been fuelled by the prosperity of the financial sector. On an international basis, that sector is the main cause of the current slow-down in the world economy. It is bearing some of the costs of its past exuberance. I believe that the British financial sector remains competitive and innovative, but it is still to be seen whether its relative contribution to the economy will diminish during the current period of consolidation.

Thirdly, we will consider the dependence of the British economy on wealth and confidence linked to rising house prices, which is well known. In recent years, Treasury forecasters have prided themselves on defying the doom-mongers who have repeatedly forecast a sharp downward adjustment in house prices. There is a risk that house prices will prove less resilient than the Government expect in the face of the credit crunch. I expect that the Committee will explore that matter, and particularly the Chancellor's initiatives in the mortgage market, with our witnesses next week.

Lembit Öpik (Montgomeryshire) (LD): I am pleased to hear that the Committee will examine that. While doing so, will it examine the related matter of arm's length management organisations? Is the right hon. Gentleman willing to consider the funding arrangements for ALMOs, which look after a large amount of social housing stock? They are concerned about the limitations on how they can borrow money. Would it be reasonable for the Committee to have a little look at ALMOs when they examine the housing market in general?

John McFall: I suggest that the hon. Gentleman do a bit of homework between now and next week and send me a letter, and we will consider the matter in the Committee.

I turn to fiscal policy and fiscal sustainability. In several reports during the current Parliament, the Committee has argued that the fiscal rules need to be more forward-looking and less dependent on the dating of the economic cycle. Although the fiscal rules have served the Government and the public finances well in the past decade, the Government and others might have focused too much attention on arithmetical arguments about whether the rules have been met, and insufficient attention on underlying issues of fiscal sustainability.

On the golden rule, the most pertinent question to ask ourselves is not about public borrowing over a notional economic cycle but about the current state of the public finances and the prospects for the near future. With regard to public sector debt, it is clear that performance against the sustainable investment rule will be affected by both the public sector control of Northern Rock and the eventual implementation of international financial reporting standards, which will mean almost all private finance initiative projects appearing on the public sector balance sheet. I expect the Committee to consider in detail the impact of that, and how it is reported. In doing so, we must bear in mind the underlying purpose of the fiscal rules: to set parameters for fiscal sustainability. It remains to be seen whether either accounting changes or the public control of Northern Rock represent a threat to that sustainability.

On child poverty, I am delighted to note the Chancellor's initiatives, but we must remember that there are still 2.8 million young people in poverty. One big issue that the Treasury Committee has tackled in recent years is financial inclusion. We have produced four reports on it since November 2006, which have stated the need for people to be included in the banking services and financial network. Those who are excluded from that network are largely socially excluded as well.

Let us not forget that 600,000 children have been taken out of poverty. That is six times the population of my constituency, more than the population of Bristol and two thirds of the size of the population of Glasgow, so the achievement is considerable—but the Treasury Committee was concerned about the idea that the Government might be resiling from their child poverty targets. I am delighted to see today that the Government have stuck to those targets. Some 700,000 more children must be taken out of poverty by 2010 if the Government are to achieve their interim target, and there will be a long way to go by 2020. I can say with confidence that the Committee will examine the Chancellor on that matter in the next few weeks.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): In relation to poverty more widely, will the Chairman of the Select Committee also examine the Government's handling of fuel poverty, which has increased? The Government placed far too much reliance on cheap energy during a period when prices fell because the UK had a temporary surplus of supply, and now that prices are rising, more people are being pushed into fuel poverty. Will his Committee examine Ofgem's advice that the Chancellor should consider whether he can make a one-off gain on the profits made by energy companies as a result of the issue of emissions trading licences, so as to fund a one-off investment in improving people's housing, so that they can reduce their fuel bills?

John McFall: The hon. Gentleman makes an important point. I believe that he is a member of the Select Committee on Trade and Industry—

Sir Robert Smith *indicated dissent.*

John McFall: The hon. Gentleman was a member of that Committee the last time we spoke, but he has left it now. I forgot the turbulence on the Liberal Benches.

The Treasury Committee will be happy to look at those matters. Fuel poverty is defined as individuals spending more than 10 per cent. of their income on energy. Some 4.5 million people, including 2 million pensioners, suffer from fuel poverty, so it is an important matter. However, I am delighted to welcome the Chancellor's initiative on the winter fuel allowance, which is to increase from £200 to £250 for our elderly constituents, and from £300 to £400 for the over-80s.

Sammy Wilson (East Antrim) (DUP): Does the right hon. Gentleman accept that for many pensioners, some of whom have a small private pension, who now face the loss of the 10 per cent. income tax band, the extra money made available for this year's winter fuel payment will be more than offset by the tax loss?

John McFall: I know that personally, the hon. Gentleman is a bright and optimistic individual, but politically he is always pretty gloomy. I look at the glass as half full today, and I welcome the increased winter fuel allowance. I challenge the hon. Gentleman to go knock on his constituents' doors and ask them whether they want that allowance to be taken away; I reckon he will get a raspberry in response. We should welcome that good initiative.

On environmental taxation, when the Treasury Committee reported on climate change and the Stern review last month, we expressed disappointment that the Government's commitment to the 1997 statement of intent on environmental taxation had not been maintained. The Treasury has used a different definition of environmental tax from the one used by the Office for National Statistics; the Treasury definition, which excludes energy taxes and taxes on transport, is, in my opinion, too narrow. I do not believe that tax measures are the only, or even the best, way to tackle climate change at national level, but the Treasury cannot continue to hide behind definitions to defend its caution in moving to a position where environmental taxes more accurately reflect the environmental damage associated with certain activities. In that context, I welcome moves to replace air passenger duty with a per-plane duty, as well as the other measures announced.

The Chancellor mentioned the savings gateway, on which the Treasury Committee has focused in the past. Indeed, last October we published a report that emphasised the importance of secure short-term savings to the financial well-being of the least well-off. We examined the success of savings gateway pilot projects, where private contributions are matched by Exchequer support. In our report, we stated that the national savings gateway

"could achieve some of the Government's aims of promoting saving among low-income groups"

where it encourages

"genuinely new savers and new saving".

We noted:

"It can bring some individuals into contact with mainstream financial institutions for the first time",

thereby starting

"a savings habit which continues even when the incentive of Government matching is no longer available."

Such a scheme can certainly have a positive effect on participants' attitudes to saving. Professor Elaine Kempson, who undertook the survey of the first savings gateway pilot project, made the point that matching strongly encouraged people on low incomes to save. I suggest that the Chancellor and others consider going further. The Institute for Public Policy Research has provided estimates of the first-year cost of a national savings gateway scheme. The IPPR assumes eligibility criteria based on those for working tax credit and qualifying benefits for those out of work, and individual contributions averaging £16 per month. On that basis, it estimates that the first-year costs of a scheme taken up by 50 per cent. of the eligible population, with Government matching of 50p for every pound invested, and pound-for-pound matching for the first two months, would be £249 million. In contrast, the Government estimates that individual savings account and personal equity plan savings are supported by £2.1 billion in tax relief each year, and employee tax reliefs for pension contributions have been valued at £5.3 billion. Expenditure of £249 million pales into insignificance next to the support given to ISAs and tax relief on pensions. I welcome the Government's initiative, but I urge them to go further to encourage more low-income people into the financial network.

My last theme is rogue trading and insider dealing. I note in today's press that the Financial Services Authority has taken action on rogue trading. We certainly want no

[John McFall]

repeat here of the Société Générale incident, or of the Barings scandal involving Nick Leeson in the 1990s. Rogue trading remains a big problem, and I want the Government to support the FSA in its efforts, but I also want them to support the FSA on insider dealing. There is no doubt that insider dealing goes on regularly; I am told that by City executives. However, very little is done to bring people to court or to get to the bottom of such incidents.

An important foundation of the City's reputation is the quality of its markets and the authorities' determination to investigate and prosecute insider dealing. In that context, I endorse the FSA's view that it should be given powers to confer statutory immunity from prosecution or otherwise encourage people to come forward to give evidence against the criminals who commit insider dealing. The FSA has civil and criminal powers to tackle such market abuse, but sometimes there are real challenges in securing the evidence necessary to prove that the offence has been committed. It is in the nature of the offence that there is seldom a smoking gun. Legislative change to enable the FSA to confer immunity would send a clear message to those who contemplate insider dealing: they should know that the FSA has the fullest range of tools to bring them to justice.

Rob Marris: I welcome my right hon. Friend's comments, because when I considered that matter 18 months or two years ago, I found that the track record of the Serious Fraud Office and the Financial Services Authority on insider dealing was absolutely shocking—not a handful of cases had they prosecuted. What is needed is not only legislative change, but for those bodies to use the powers that they already have. They should also examine how such powers are used in the United States of America, where the authorities have a very different and far more successful way of proceeding on such charges.

John McFall: Exactly. When we compare what happens in the US with what has happened in the City, we see that the UK is a soft touch in that respect. Our record is abysmal. I want the Government to consider that, paying regard to what has been going on in the United States, and the FSA's desire to ensure that the City's reputation is cleaner, and is kept clean. They should also give the FSA the powers that other bodies have.

Rob Marris: You should visit America.

John McFall: We did visit America, and it is on the basis of that experience that I make my point. Those taking part in insider dealing should be aware that others who know of their criminality may turn against them. We need the Government to give the FSA those powers.

Mark Durkan (Foyle) (SDLP): Does the Chairman of the Select Committee not accept that if we simply allow people to come forward and get immunity, without introducing the other measures to which hon. Members have referred, it would lead to a situation in which there were super-rich supergrasses? That would be a public scandal.

John McFall: I know where my hon. Friend is coming from, but the FSA and others have a legitimate point. As I say, people should be aware that others who know about their criminality may turn against them, because we are making no progress at all on the issue. Something needs to be done, and the Government need to consider the issue urgently. I encourage them to ensure that the powers available to other prosecutors are extended to the FSA, and to make progress with the work of considering in which cases a plea-bargaining, or plea-discussion, framework would be of benefit to all prosecutors, including the FSA.

As I have said, I welcome the Budget. I welcome the stability, as the next 12 months or so will be difficult for all of us, because we live in a globalised world. We do not need any fancy initiatives; we need to hunker down to get through the next 12 months. I am delighted, in an economic sense, that the Government are doing that while paying due regard to social obligations such as the need to tackle child poverty and the problems that people are experiencing with fuel. I welcome the Government's initiatives, and I look forward to the Chancellor and his colleagues appearing before the Treasury Committee in the next seven days or so.

2.11 pm

Mrs. Jacqui Lait (Beckenham) (Con): My impression of the Budget is overwhelmingly one of boredom. It was illuminating to look around the Chamber and see the number of people who were nodding off. It was predicted that it would be a boring Budget, and it most certainly was. It will probably be remembered as the carrier bag Budget, rather than as any other kind of Budget. If that is to be the Chancellor's main claim to fame, I suspect that he will not be in his job for very long.

It was striking that in the midst of the anodyne messages that the Chancellor poured out in order to send us all to sleep there was little reference to Northern Rock and the issues that it has created for the British economy, and little reference to the problem that the world economy faces. I sincerely hope that we are not facing the sort of economic downturn that I remember from 1974, when the stock market fell to some 120 points, which seems unbelievable in this day and age. It may seem odd for a Conservative to quote JK Galbraith, but a close analysis of his book on the great crash of 1929 shows the similarities between the situation that the world economy is facing, and the factors that contributed so greatly to the world crash in '29. That crash was based on pyramid selling of investment trusts, and we now face the prospect of pyramid selling of derivatives in an attempt to defy risk, but of course when one attempts to defy risk, it is spread more widely.

When risk finally comes into the equation—as it inevitably does, because nothing is risk free—the potential for collapse is much more calamitous. We are on the cusp of witnessing such a collapse as the various derivatives that have been developed in the past few years unwind through the system. My understanding is that banks across the world have lost 10 per cent. of their capital base. It is an indication of the severity of the problem that the central banks have fed so much money into the system, just a few months after they last did so. The expectation is that for some weeks, or perhaps months, there may be some loosening in the international credit

market, but as the underlying problems are severe, and as unwinding has not yet been completed, we are seeing the same situation being created for a third time in a year. If we prop up a market that is in denial about risk, those concerned will not learn their lesson, and the same pattern of behaviour will be repeated. However, if they are allowed to confront their actions and take responsibility for them, we will see the sort of scenario that we saw in 1929. I should say that I did not see what happened in 1929; I read about it. However, I did witness the crunch in 1974, and that was fingertip.

Mr. Ken Purchase (Wolverhampton, North-East) (Lab/Co-op): I thank the hon. Lady very much for the history lesson about 1929 and Galbraith's treatise on the subject. Would she say that there will be a market correction in the near future, or will we have to adopt far more Galbraithian responses to the current crisis?

Mrs. Lait: I know exactly what the hon. Gentleman is getting at, but I suspect that if the central banks continue to pump liquidity into the market, it will not cure the problem. The potential consequences are terrifying.

John McFall: Regarding 1929, I am reminded of the remarks of Judge Pecora, who undertook the commission of inquiry. He said that if the financiers had repeated to themselves time and again that two and two add up to four, they would not have got into the mess that they did. Does the hon. Lady see parallels with that situation today?

Mrs. Lait: I think that I have already said that that is the potential problem that we face. As a Scot, I have to say that the investment trust vehicle that caused so much of the '29 problem was of course invented in Scotland, but there it was managed by, dare I say it, dour Scots. It was transported to the States and was then leveraged; that was the problem. That is precisely what has happened with the risks that have been leveraged into various derivatives. I have real concerns that if the central banks keep pumping money into the market, we will not unwind the derivatives, and this generation of financiers will not learn the lesson of risk.

We cannot defeat risk, and one of my criticisms, as a Conservative, is that the whole thrust of what the Government have done since 1997 is to try to deny that risk exists, and that is a very dangerous thing to do. Year after year, the Prime Minister, when he was Chancellor, would say, "I have abolished boom and bust." We are potentially about to have another bust. We are certainly on a downturn. That causes me more concern than anything else. It is my overriding concern about the Budget, because no preparations are being made to deal with the worst-case scenario.

The Treasury is in denial. It has to be in denial; it has no money. Where the £10 billion from the Bank of England has come from, I can only guess. Is it printing money? If so, we have inflation. Is it borrowing it from the Arab states, which are raising so much money as a result of petrol prices? If so, the money has to be paid back. At some point, the latitude that we allow ourselves with regard to money will catch up with us. I have serious concerns about the fact that no preparations are being made in the Treasury to deal with the situation; the Budget tinkers round the edges.

As for the green taxes, interestingly, it is proposed that tuppence be put on fuel in six months' time. It is not until 2010, if I read the statement correctly, that we will get ½p per litre—not per year, but per litre—*[Interruption.]* I stand corrected—½p above the index, but that is still as a means of dealing with carbon emissions, and is not a significant change.

Taxes are being raised, but we see no offset for the coping classes, the people who have been hit for so long by the Government, with the increase in taxes being piled on top of them, along with, as my right hon. Friend the Member for Witney (Mr. Cameron), who responded on behalf of the Conservative party, said, all the extra costs that are coming with higher inflation, higher food prices and all the extra pressures on those people who are keeping the economy afloat.

Mr. Nigel Evans (Ribble Valley) (Con): My hon. Friend speaks about fuel. She will accept that that now costs £1.08 or £1.12 a litre, or over a fiver a gallon. For people in my rural constituency, having a car is not a luxury; it is a necessity. The rural bus transport service is not sufficient. They need a car and they are being clobbered. The fact that they are being given a six-month reprieve before another 2p is placed on a litre will not be welcome news.

Mrs. Lait: I entirely agree with my hon. Friend, and I would love to find his rural garage that is charging only £1.12 a litre. I am paying considerably more than that. It will be exceedingly hard for people who must rely on their own cars, unlike the situation in London.

London buses no longer come in threes—they come in dozens and most of them are empty, which has a serious impact on congestion in London. I notice that there are mixed messages coming from the Government about road pricing. As we understand it, the Secretary of State for Transport has withdrawn road pricing, yet the Chancellor is putting money into developing road pricing. It will be interesting to get some response in due course about what is happening with road pricing.

The Budget ignores the big picture and focuses entirely on small issues. I want to examine some of the issues that I picked up from the Chancellor's speech. There was a mention of a contract between the Government and families in an attempt to get parents into work. I am having a hard time envisaging how such a contract would work. Is it a series of separate contracts, such as those that parents had with schools to ensure that the children turned up at school? Is it a contract with the jobcentre, whereby people agree to take the first job they are offered? Is it a contract with the local authority, whereby people accept lower housing benefit and council tax, provided they get a job?

What is the contract? Will there be red tape coming out of the ears of families who just want to get back to work, because the Government think it might be a nice idea to have a contract and make people responsible, even if they do not agree with the Government's objectives?

There is a promise about business red tape and a limit on regulation. Again, I have difficulty working out how that will happen, given that every time the Government introduce a Bill, it increases regulation. Does that promise mean, for example, that at Report stage on a planning Bill, we will see the Treasury finally

[Mrs. Lait]

releasing its grip on planning gain supplement and tabling an amendment to repeal entirely the Planning-gain Supplement (Preparations) Act 2007? That would be a serious step towards reducing red tape, and a simple one, because the Government say they do not intend to introduce PGS at all. Why keep the Act on the statute book? Let us have a gesture of good will. What is the limit on regulation and how will it work?

The Government want to encourage zero-carbon homes. We all share that aim, but anybody who talks to the building industry will know very well that zero-carbon homes are technically impossible at present. It is possible to have, on balance and using a very complicated formula, zero-carbon communities, but not zero-carbon homes, as I understand it. The Government are trying to sound as though they are developing some serious strategic thinking on green taxes, so there are proposals on vehicle excise duty and the first year tax rate.

My problem with the Government is that they like red tape. They like producing pieces of paper that limit people's scope, rather than encouraging it. If there is one message after 10 years of this Government, it is that they are unable to trust people to respond and to act positively in their own and their community's best interests. If the Government want to put over a message about green issues, people will not respond to taxation on their vehicles, particularly because of the need, as my hon. Friend the Member for Ribble Valley (Mr. Evans) pointed out, to use cars in the countryside.

We should be ensuring that manufacturers and scientists work together to develop the science. There are exciting opportunities in environmental sciences. The Chancellor referred to that, although it was the usual glancing reference. The best way to make us green is through technological development, not by dragooning people into patterns of behaviour. Have the Government, after 10 years, not learned the law of unintended consequences? The minute anybody is forced into a pattern of behaviour, they find ways out of it. It is much better for people to decide willingly to go green than to force them.

Several hon. Members *rose—*

Mrs. Lait: Which one shall I choose? I think I prefer the hon. Member for Foyle (Mark Durkan).

Mark Durkan: We all take the hon. Lady's point that to make sure that vehicle emissions are at a much lower level, we want science and the motor industry to co-operate fully, but does she accept that fiscal measures such as vehicle excise duty are intended to create market conditions and market incentives that will motivate a partnership between science and industry? Unless there is a market in which they can meet with new products, it will not happen. That is why it has not happened to date to the degree that it should have.

Mrs. Lait: I disagree that that has not been happening. The hon. Gentleman may be disappointed that it is not happening at the speed he would wish, but the science is still in its relative infancy, so it is difficult to produce the family car for five. When the science moves on, the market will move—when it becomes sensible to do so. To tinker at the edges and add vehicle excise duty to the cost of motoring is not the most effective way to deliver the changes that the Government and the whole House wish to see. We are all concerned about our green taxes.

Rob Marris *rose—*

Mr. Purchase *rose—*

Mrs. Lait: I want to let others in, as I know that many hon. Members wish to contribute.

I shall move on to one last point, which was not mentioned but which has been brought to my attention by a number of constituency cases—inheritance tax. The Chancellor announced last year that all widows would benefit from changes in inheritance tax. There is one very small group that is possibly the hardest hit—those whose husbands died before 1972. The people in that group are now very elderly; one such constituent is 106 and her husband died 40 years ago. The inheritance tax changes do not apply to that group of widows. I am sure that that is an oversight—at least, I would like to think so. I would hate to think that that group of very elderly widows was deliberately missed out. The money involved cannot be enormous. I hope that by the end of the Budget debate, perhaps tucked away somewhere in the Finance Bill, there will be a proposal from which every person who is liable for inheritance tax could benefit.

I have covered the broad points that I wanted to mention and have picked up on one or two smaller points. Overall, the Budget was a yawn and will have little impact on the wider economy. All it will do is reinforce the difficulties that the coping classes face under this Government.

2.31 pm

Dr. Gavin Strang (Edinburgh, East) (Lab): The hon. Member for Beckenham (Mrs. Lait) made an interesting speech; the House will hope that her more pessimistic predictions for the global economy do not come to pass.

I am grateful for this opportunity to congratulate the Chancellor of the Exchequer, my right hon. Friend and Edinburgh colleague, on his first Budget. I particularly welcome the increases in child benefit and child tax credit and the winter fuel allowance for 2008-09.

By any standards, the past 10 years of economic management have been a success story. Continued economic growth throughout the decade has been enjoyed alongside 10 years of low inflation and modest interest rates. Thanks to the stable and prospering economy, the number of people in employment in this country has risen steadily to record levels. The number of unemployed is at its lowest for 28 years and in my area that number has fallen by 57 per cent.

It is fair to add that the economic success of the UK in the past decade has not taken place against a background of great global economic stability and tranquillity. After all, during that period there have been a number of shocks to the global economy, such as the dotcom bubble and the Asian financial crisis. All other G7 countries have experienced at least one quarter of negative growth in the past decade.

Currently, the global background is once again somewhat tumultuous. I guess that at this time there is more apprehension about the future of the global economy than at any time since Labour came to power. Hon. Members and those outside no doubt listened more carefully than usual to the Chancellor's statement on the outlook for the global economy. There is clearly a big question mark over where the world economy will be in 12 months' time—primarily, of course, because of what has been happening in the US.

In the context of the Budget debate, there is always a huge focus on what we now call the public sector net cash requirement. That is understandable; the Chancellor has direct responsibility for striking the right balance between what the Government spend in any year and what they take into the Exchequer through taxation.

During the Budget debate of two years ago, I raised the question of our balance of trade in goods and services. My question, to which I did not receive an answer, was about the extent to which we should be concerned about our trade deficit. Our balance of trade in goods and services has been negative for many years. We are net exporters of services; the balance of trade in services reached £36 billion in 2007. However, the increase in the negative balance of trade in goods has been even faster; it reached £87 billion last year.

Stewart Hosie (Dundee, East) (SNP): Is the right hon. Gentleman equally concerned that the tables in the Red Book have been changed? It is now almost impossible to do a like-for-like comparison without flicking through to other tables and small references to "MTIC adjustment". The total balance of trade is not the £48.75 billion on the table, which would have been the same as for the year before, but £70 billion—and that is tucked away somewhere else in the Red Book.

Dr. Strang: I congratulate the hon. Gentleman on his detailed scrutiny of the figures. He will certainly agree with me that the substance of the issue is more than worthy of comment.

We have a positive balance in respect of services, but the position is different for goods. Even faster than the rise in the positive balance has been the increase in the negative balance of trade in goods, which reached £87 billion last year. In 1998, our overall total goods and services trade deficit was £7 billion. In the past five years, that deficit has increased from more than £30 billion in 2002 to more than £50 billion last year. I see the Exchequer Secretary on the Treasury Bench; I hope that at some point a Treasury Minister will say a few words about the significance of the trade balance in the modern world. I invite her, or any other Minister with the opportunity, to do so—the issue is clearly of considerable interest.

To varying degrees, any one tax has two outcomes: it raises revenue and it influences behaviour. To their credit, in 1997 the Government declared a commitment to shift the burden of taxation away from activities that we want to encourage, such as the creation of employment, to activities that we want to discourage. That is clearly right in principle, and important steps have already been taken in that direction. One of the most significant measures for lifting taxation away from desirable activity was the introduction of the tax credit system in 1999. Through that, the tax system is used to help ensure that work pays and removes disincentives preventing people entering employment. The tax credit system has been a factor in raising employment throughout the country.

However, I particularly want to focus on the environment, to which a number of hon. Members, including my right hon. Friend the Member for West Dunbartonshire (John McFall), have referred. I am thinking in particular of the need to put in place measures to reduce greenhouse gas emissions. Some years ago, the Government made a start on using the tax system to make our behaviour on these islands more environmentally friendly. The climate change levy was introduced in 2001 and the aggregates levy was introduced in 2002. Vehicle excise duty was restructured to reflect, for the first time, the environmental damage done by different makes of car. Alongside other environmental actions by the Government, those changes made for a promising start. Office for National Statistics figures show that the proportion of tax revenues raised from environmental taxes saw a modest rise—from 9.4 per cent. in 1997 to 9.7 per cent. in 1999.

However, as the Environmental Audit Committee brought out in its recent report, that was followed by a series of cuts and freezes in key environmental taxes. As a consequence, green taxes as a proportion of all tax revenue fell below 1997 levels—to 7.3 per cent. in 2006.

The Government should take credit for our being on track to meet the Kyoto targets, but we must also look at current trends and where they will take us. The Exchequer Secretary will be aware that the trajectory of UK greenhouse gas emissions is not as it should be. Our emissions have been on a plateau, with only the faintest trace of a decline between 2002 and 2006, the latest year for which figures are available. If the UK is going to do its bit to prevent catastrophic climate change, we will have to take far stronger action than we are taking now. The taxation system has an important part to play. I welcome some of the things that the Chancellor announced in that context, but I suspect that we will have to go further still.

Mr. Evans: Does the right hon. Gentleman agree that any "green taxes" should be revenue-neutral? Green taxes should be for encouraging people to lead more sustainable lives, but a lot of people are suspicious that they are being used as a smokescreen behind which the Government can raise extra revenue.

Dr. Strang: I hear what the hon. Gentleman says. If the tax is put on, it will have an effect, whatever happens. However, the hon. Gentleman's point is valid. Such taxes will be more acceptable to the electorate if they feel that although they are paying more tax for some things, they are paying less for others. We can hardly dispute that such a situation would make green taxes more acceptable.

One of the duties that has been subject to cuts and freezes in recent years has been air passenger duty, and—as the Environmental Audit Committee identified—the doubling of rates from February last year simply restored most rates to 1997 levels. Aviation is acutely undertaxed. It pays no value added tax, and hardly any aviation fuel is subject to duty. At the same time, aviation is the UK's fastest growing emitter of greenhouse gases.

The announcement by my right hon. Friend the Chancellor in October's pre-Budget report that air passenger duty was to be reformed was welcome news. The Treasury

[Dr. Strang]

proposes that air passenger duty become a charge per flight rather than a charge per passenger. In its recent report, the Environmental Audit Committee concluded that that will incentivise airlines to fill their flights. The Committee believes that short haul charges must reflect relatively high emissions and the fact that alternative means of travel are available. The Committee also recommends that the Government consider the introduction of an extra band to cover very long haul flights. I welcome my right hon. Friend's acknowledgement that he will not only maintain his policy on this tax but expect to secure a very substantial rise in air passenger duty in subsequent years.

Mr. Michael Jack (Fylde) (Con): Will the right hon. Gentleman give way?

Dr. Strang: I will, but for the last time because a lot of Members want to speak.

Mr. Jack: Did the right hon. Gentleman find anything in the Budget that might encourage expanding areas of aviation, such as the low-cost carriers, to adopt the most modern and least emitting types of aircraft?

Dr. Strang: The proposal to move from taxing flights as opposed to passengers is certainly a positive move. I hear what the right hon. Gentleman says. I am not sure how easy it would be to implement something like that, but we should constantly be looking at other ways of bringing pressure to bear. The inclusion of aviation within the figures—it is excluded at the moment—is in itself long overdue.

I want to move on to carbon capture and storage, which has already been mentioned by my right hon. Friend the Member for West Dunbartonshire and others. Electricity generation is the UK's largest single producer of carbon dioxide emissions. Traditionally, our coal-powered stations have been the highest emitters of carbon dioxide, and the move away from coal to gas in electricity generation played a large part in our being on track to meet our Kyoto target. However, coal is still the source of about a third of our electricity, and the House will be aware that new coal plant is planned.

To reduce the carbon footprint of fossil fuel-fired power stations, carbon capture and storage—CCS—technologies are being developed to remove the carbon dioxide that is produced and to store it for the long term. With the 2005 pre-Budget report, the Government launched a consultation and a competition for a full-scale demonstration plant, and with the 2007 pre-Budget report came details of the competition and the news that it would apply only to a post-combustion coal plant. That competition is welcome.

The fact that post-combustion CCS should be suitable for retro-fitting existing plants is also an important consideration. However, the winning plant will not be built until 2014, and even then the CCS element need not be fully operational. The response to the potential of CCS should be on a larger scale and of greater urgency. In this context, I should mention last year's regrettable decision by BP to abandon its planned CCS project at Peterhead.

As the Environmental Audit Committee pointed out, CCS power stations will cost more to build and run than conventionally built plants and will need ongoing support. That support could be financial, through mechanisms such as feed-in tariffs. It could also come in a regulatory form. The regulations could apply to plants that had been in operation for some years and that, it is to be hoped, should be able to retro-fit if the technology becomes available. In addition, we need to ensure that the new power stations are built with CCS in place, if the technology is sufficiently advanced, or, if it is not, that they are built ready for CCS to be fitted as soon as that technology becomes available.

We do not know what the world economy holds for us in the next year. Clearly, the outlook is uncertain. I believe that the Budget gives us a good opportunity to do the best for this country and ensure that whatever the world economy holds we have the best opportunity of maintaining the stability that we need for our people and industry in this country.

2.44 pm

Mr. Michael Jack (Fylde) (Con): It is a pleasure to follow my fellow member of the Select Committee on Environment, Food and Rural Affairs, the right hon. Member for Edinburgh, East (Dr. Strang). I acknowledge his commitment to environmental issues and welcome his remarks on that subject.

Before proceeding, I remind the House of my entry in the Register of Members' Interests.

The first thing that one does when one listens to a Budget speech is to judge whether the overall impression is going to impress, depress or whatever. It is usually said that if there are great cheers, particularly from the Government Benches, the next day people will adjudge that the speech was not really quite as good as they thought—a bit like a Chinese meal that will be quickly forgotten. The deadly silence with which most of the Chancellor's remarks were received on the Labour Benches makes me tremble a little bit and think that perhaps there is something more inside this Budget that I did not spot. A silent Budget is usually one of those that has a longer-lasting effect. I am certain that that last prediction will come true, because it deals with some long-term economic trends.

When it comes to people outside—the public whom we represent in this House—digesting what the Chancellor said, the first thing that they will realise is that they have heard it all before. It seems that the old idea of Treasury purdah has departed, as most of the content of the Budget, if not in specifics then certainly in themes, was well trailed by journalists at the BBC and elsewhere who seem to have had privileged access to what was in it. I would ask those on the Treasury Bench at least to give us some measure of excitement and, at a time when the Chancellor is struggling to say anything of great interest, to stop briefing the press and allow future Budgets to contain one or two measures of genuine surprise.

Was there anything in the Budget for my constituents, who would perhaps have sought some comfort from its content in dealing with the things that worry them? They will have heard the Chancellor talk about this country's low inflation policy. However, I am afraid that although the target may be 2 per cent. on the consumer

prices index, which the Chancellor has selected, inflation is much higher than that in the real world, as the retail prices index is well above 4 per cent. When people get their council tax bill through their door, see their rising cost of living and reflect on their rising uncertainty about their economic prospects, I think that they will find their own situation difficult to reconcile with the Chancellor's words of certainty as regards the economy.

Mr. Andrew Smith (Oxford, East) (Lab): Will not the right hon. Gentleman's constituents, especially those on low incomes, welcome the increases in child benefit and in child tax credit, and, from October next year, the very important disregard of child benefit in the calculation of housing benefit and council tax benefit, which will make a real difference to the incomes of many people on low wages?

Mr. Jack: The right hon. Gentleman is right to paint some positive pictures. I am sure that those who are able to access the sources of funds to which he referred will be pleased so to do. However, my postbag is still heavy with correspondence from people who have problems with tax credits. Those people will still face an uphill struggle to ensure that they get that money, and when they review it against the rising costs of the basics in their living standards, they may well find that it is a case of giving with one hand and taking with the other. Those who are lucky enough to see themselves on a rising trend of income will immediately discover that fiscal drag is an issue that has not been addressed in this Budget. Many lower-paid workers will come into the tax bracket before they should, while those who are a little further up the income scale will find themselves paying the higher rate of tax when they might have hoped for some salvation from that. Fiscal drag is again being used by the Treasury to maintain income going into its coffers. The elderly, whom the right hon. Gentleman did not mention, and who might rejoice at the thought of another £50 on the winter fuel allowance, had better be warned that the Red Book tells us that that money is there only for one year—so that is, I suppose, this Budget's special offer.

The Chancellor made a lot of reducing corporate taxation in terms of reducing the basic rate of corporation tax from 30 per cent. to 28 per cent. However, he forgot to remind the House that capital allowances are simultaneously being reduced. When those numbers are netted off, we find from the Red Book that there is a £100 million increase in income to the Treasury. By all means let us talk about competitive tax rates, which I welcome, but let us talk about the complete picture: business as a whole will pay more taxes.

Lorely Burt (Solihull) (LD): Does the right hon. Gentleman agree that while larger businesses will experience a small decrease in tax, small and medium-sized businesses will not? They will be greatly disadvantaged.

Mr. Jack: The hon. Lady, who had the pleasure of visiting my constituency not very long ago, makes a telling point. The Chancellor talked about the competitiveness of business, but she has just reminded the House that small and medium-sized enterprises are effectively suffering a tax penalty. To go back to the impression given by the Budget, once the numbers and the total picture have been gone through by financial commentators, people will find that it ain't as good as the Chancellor tried to paint it.

Rob Marris: The right hon. Gentleman referred to the fact that the picture is not so good, and to fiscal drag on tax bands. However, on page 113 of the Red Book there is an increase in the personal allowance for those under 65 of about 4 per cent. The starting point for the higher rate of tax has also gone up by about 4 per cent. That does not sound like fiscal drag to me.

Mr. Jack: It may not, but I suggest that the hon. Gentleman, who I know takes a keen interest in these matters, looks again. He will find that the allowance for under-65s has gone up by a total of 210 allowable pounds, which represents about £45, which is roughly speaking a reduction in tax of £1 a week. Set against the cost of living increase that I mentioned earlier, people will not find that a particularly pleasant situation. I hope that the hon. Gentleman has not confused the amount of tax paid with the number of people paying tax, which is what the concept of fiscal drag is meant to address.

While on the state of public finances, the other thing that intrigues me is that if we consider the next financial year, the Red Book last year had a projected borrowing level of £30 billion, but one year later, that figure has now risen to £43 billion—an increase of £13 billion. If we consider receipts, we find that they are forecast to rise by £22 billion on last year's Budget. We therefore have rising receipts, bearing out what my right hon. Friend the Member for Witney (Mr. Cameron) said from the Dispatch Box: a rising trend in the payment of taxation and a rising trend in the level of Government borrowing. That illustrates keenly the difficult situation that the Treasury finds itself in, hence the overall gloomy tone of the Chancellor's remarks. He does not have any fiscal room for manoeuvre.

I turn to three specific areas, the first of which is monetary policy. I am still concerned about the structure of the British economy. In my remarks on the Budget speech last year, I conjectured as to why, of all the western economies, the UK needed higher interest rates to achieve a similar performance with regard to inflation—a target of 2 per cent. I query whether we need a national debate, if I may put it that way, on monetary policy. The drivers for inflation are matters that affect people's consumption at the moment—the cost of food, fuel and energy. Most people have a choice: they can spend on the basics, but their discretionary spending diminishes. We have witnessed that already in the reduction in retail expenditure.

We have a zero-sum game, where money is going round, but is being spent on basics, rather than being part of discretionary spend. In recent times, the response of our monetary policy in trying to keep global inflation down has been to raise interest rates, or marginally to lower them with a potential depressive effect on the economy's ability to sustain employment and investment. I mention that because, to me, the most difficult element of the inflationary equation is whether people seek to address inflationary pressures through inflationary pay demands. In the public sector, the Government have already put a cap of 2 per cent. on what they are prepared to have as the norm. I suspect that the figure is between 2.5 per cent. and 4 per cent. in the private sector. I have not heard much from the Monetary Policy Committee or the Treasury about whether there needs to be a revised view of what constitutes inflation in the 21st century.

Mr. Austin Mitchell (Great Grimsby) (Lab): I find myself in the paradoxical and unusual position of agreeing with the right hon. Gentleman. Does he agree that if the Bank of England had the double-header rubric, like the Fed, to keep inflation down and to maximise employment, it would make for better and more flexible policy?

Mr. Jack: It is a pleasure to agree with the hon. Gentleman. I seem to recall that section 11 of the Bank of England Act 1998 defines clearly what the Bank's Monetary Policy Committee is all about; it is achieving the target that the Chancellor set. It is interesting that the previous Chancellor reset the inflation target from 2.5 per cent. to 2 per cent., just as we ran into the first serious series of commodity price rises that we had experienced for a long period of time. It is interesting to speculate as to whether we conspired to have a more difficult monetary situation simply by decreasing the target for inflation by a half of 1 per cent.

Mr. Purchase: I have a slightly different point from that of my hon. Friend the Member for Great Grimsby (Mr. Mitchell) on monetary policy and the use of interest rates to calm inflation. Is it not the case that the measures announced by the Chancellor on longer-term mortgages will assist monetary policy by taking some pressure off the Bank of England when it sets interest rates, while recognising that a different market will come about with the longer-term interest rates announced today?

Mr. Jack: The hon. Gentleman raises an interesting point, but longer-term mortgages relate to the stabilisation of people's personal finances, not the heart of the inflationary issue. Current inflation is being driven not by wage demands, although they may come, but by commodity prices and the world economic situation. With respect to the hon. Gentleman's point, long-term mortgages are a response but not a solution to those overall inflationary factors. I say to the Treasury that the time is right to have a discussion and analysis of the current nature of inflation because our response is still geared to previous inflationary cycles in the economy.

Mr. Graham Brady (Altrincham and Sale, West) (Con): I am interested to hear my right hon. Friend's remarks. Conversely, is it not the case that during the last couple of months, the Bank of England has decided to reduce interest rates at a time when it was clear that there were significant inflationary pressures? Does that not show a little more flexibility in its response than he suggests?

Mr. Jack: Sadly, the hon. Member for Great Grimsby (Mr. Mitchell) is no longer in his place, but my hon. Friend's point goes back to the fact that we look to the Monetary Policy Committee to drive not only the fight against inflation, but the level of activity in the economy. Inevitably, the two are linked, but commentators ascribe to the Monetary Policy Committee the ability to influence all kinds of economic factors by virtue of its attempt to focus on the achievement of the inflation target. Although I acknowledge my hon. Friend's point, he does not go to the heart of what is driving our present inflationary situation. I would welcome a debate on whether we have the right mechanism. Broadening the scope of the Monetary Policy Committee may be right—I do not want to come to a conclusion on that matter without considering it carefully—but the time is right for a reappraisal of what drives UK monetary policy.

The second area that I want to consider is that of sub-prime lending. Such lending grew in the United States in a situation where there was a lot of cheap money and people were looking for opportunities to deploy it. They suddenly alighted on the opportunity to allow mortgages to many people who probably should not have had one. The net result was that the American economy turned down and people defaulted on their mortgages—we saw what happened next. I carried out a little exercise to examine the corporate social responsibility reports of some of the banks in America that have suffered the most, in order to see what they said about their responsibility to wider society. Why did I do that? One of the clear trends in provision for, for example, old age, investment and paying mortgages is the weight that we now have to place on private sector investment vehicles. People's security and future well-being depend on the integrity of the products that the financial system now delivers. Events in the sub-prime market have shaken people's faith in those financial vehicles' ability to deliver long-term future funding.

It is therefore interesting to read some of the American banks' corporate social responsibility reports. Citibank, which lost $18.1 billion, states in its corporate social responsibility report on its website:

"From affordable housing to sustainable economic development to financial education, our network of employees and resources provides many meaningful opportunities to serve our communities to really make a difference."

What a difference chasing that last margin of those sub-prime loans made. It has contributed to shaking the foundation of western capitalism. We are now considering the instability of the banking system. Central banks are pumping in hundreds of billions of dollars to stabilise the system when so much depends on its stability.

Merrill Lynch, which lost $14.1 billion, wrote under the heading "Integrity" on its website:

"No one's personal bottom line is more important than the reputation of our company."

What, in the psyche of those banks, got them into a position whereby they put at risk not only their products but the statement of their public position and intent? I know from what the Chancellor said that a great deal is happening in international banking—through the World Bank, the IMF and so on—but if there is one issue with which it must deal, it is the integrity of those banks' actions. They should be forced to re-examine their commercial policies, which put at risk the very security of the millions of people whom we represent.

A recent edition of *The Economist* conducted some analysis of how good some of the experts are who run the funds that have been so badly affected by sub-prime lending. It concluded that the costs of the so-called professional management of our money were high and the returns were not much better than they would be if people simply followed the general indices of stocks and shares. It pointed out that, in Sweden, which privatised much of its future pension provision, many people invested in a fund that had grown by 534 per cent. in the five years preceding the change in Swedish policy, only to lose 70 per cent. of its value in the next three years. People were so frightened by that that inertia set in and they did not know what to do.

That is the problem. Unsophisticated investors, of whom I count myself one, subcontract to experts the well-being of our future position. In the light of events in sub-prime lending, those in whom I and many millions put their trust have been found wanting. A fundamental re-examination of those banks' commercial requirements and their responsibilities to their shareholders and, more important, to wider society, is needed.

Stephen Hesford (Wirral, West) (Lab): Does the right hon. Gentleman agree that the Government were right to step in on Northern Rock to stabilise the position? Does he also agree that nationalisation was right?

Mr. Jack: The Government had to take action on Northern Rock because many innocent individuals were caught up in something that was not of their making. Unlike the position of, for example, the Bank of Credit and Commerce International, whereby people were seduced by high returns on their money, Northern Rock looked like a good, normal bet. However, the Government have been found wanting on the speed of action and the direction of travel. The institution wallowed in difficulty and the share price has been adversely affected, perhaps disproportionately, by the delay in acting. However, some action had to be taken.

The article in *The Economist* that I cited earlier concluded:

"But whatever happens to the industry,"—

the banking and investment industry—

"it would do its reputation a power of good if over the next ten years its activities were adjusted to benefit its clients a little more and its managers a little less."

Mrs. Lait: I share my right hon. Friend's analysis, which he presents in a sophisticated manner. He mentioned the re-examination of the products of the businesses. Does he accept that an appreciation of what risk means has been missing?

Mr. Jack: I agree because no investment can be risk-free. However, on the cost of investment, the Government tried the stakeholder pension—their only venture into that territory. Perhaps if the Financial Services Authority, the Bank of England, the Government and bankers came together to re-examine the matter, a fundamental rethink might occur of the cost of investing, the risk:reward ratio and the corporate social responsibility provisions to which many of the institutions subscribe, but which have been threatened by sub-prime.

I want to comment on a couple of things that the Chancellor did not say. I find it intriguing that the former Chancellor said, when he first came to power, that the taper tax system had to be introduced because it would help capital accumulation in the economy. The current Chancellor has not explained why moving to a flat rate of capital gains tax is now better. I suppose that the only thing that is better is the £700 million in the Treasury's coffers. However, a little more plain speaking would be nice to explain what has changed in the fundamental operation of capital gains tax.

It is disappointing that the Chancellor has not tried to simplify inheritance tax. I suggested in my Budget speech last year that we could have a low single marginal rate of inheritance tax if we did away with the panoply of allowances, many of which are accessible only if one can afford the professional fees for the advice about how to use them. Again, that suggestion was ignored, and we retain an incredibly complicated, old-fashioned tax, which needs modification.

I stress to Treasury Ministers, especially the Financial Secretary, who is in her place, that I hope that, as the tax law rewrite project, with which I have been associated since its inception, nears the end of its major change to the clarity of tax law, the Treasury will not shy away from reacting to the enormous amount of work on improving the operation of the tax system. That is different from rewriting the law in a legible and understandable way. If the Treasury is to take with it the support of the accounting profession and others in the financial community to make Britain's tax laws work properly, the Financial Secretary needs to expand and change the tax law rewrite committee's remit to consider more carefully modifying and improving the efficiency of the tax system.

With respect to the Chancellor, changing the way in which small and medium-sized enterprises access the tax system and report their financial transactions is not the same as making the whole system work better and simplifying it. The word "simple" is often used but it is difficult to achieve. However, many lessons have been learned through the rewrite exercise and they need to be examined.

Let me consider green taxes. The Select Committee on Environment, Food and Rural Affairs, which I chair, suggested trying to encourage local investment in decentralised energy systems. We suggested to the Chancellor the introduction of a green ISA—a unique instrument for investing in green technology or local, decentralised low-carbon schemes. Sadly, that did not figure in the Chancellor's speech this year. However, there are some remarkable examples in Germany of small communities with local networks of investors, which have now got combined heat and power schemes, which would be the envy of many communities in this country.

Sadly, there was no mention of a buy-in tariff to encourage more decentralised electricity generation or help to deal with emissions from the heat sector. We all talk about electricity and transport, but heat accounts for one third of emissions in this country, yet is the one area where revolution and change are under-encouraged.

I hope that the Treasury will look carefully at what I have said about the state and security of our financial institutions. They are so vital to the well-being of so many of the millions whom we represent. If, as a result of reacting to Northern Rock, we could address some of those issues, there might be a different way of expressing the concept of financial stability, for the long-term benefit of the millions whom we represent.

3.10 pm

Mr. Ken Purchase (Wolverhampton, North-East) (Lab/Co-op): It is a great pleasure to follow the right hon. Member for Fylde (Mr. Jack) and to listen to his words of wisdom about our financial institutions. He agrees with the hon. Member for Beckenham (Mrs. Lait), who also made an excellent speech, about the problems resulting from, if I may say so, the misuse of financial instruments—the bundling up and selling off, the derivatives and futures, and the hedging. All are

[Mr. Ken Purchase]

useful tools in the world of finance, but when misused, they have created enormous danger. The right hon. Gentleman made that extremely clear.

Interestingly, I recall the Leader of the Opposition suggesting not so long ago that the City was falling out of love with Labour. On the back of the remarks that we have heard from the right hon. Member for Fylde and the hon. Member for Beckenham, it would seem that the City has not yet found a new suitor in the Conservative party, with those attacks on the behaviour of the very institutions that, formally and traditionally, were its major supporters. The Conservative party's whole approach has to find a new pathway, so perhaps the right hon. Gentleman and the hon. Lady should communicate that to their leader.

Mr. Jack: I would not like my remarks to be construed as an attack; it is more a question of saying, "Watch out!" The expertise of those institutions is vital, and there is no substitute for long-term investment carried out responsibly by the City of London and other financial markets—but on this occasion they got things wrong.

Mr. Purchase: I am pleased to hear the right hon. Gentleman moving back towards the middle path that I was suggesting, which is to have a use for those instruments, but not a misuse. We can now take that as read.

I want to concentrate my remarks on what I regard as the heart of the economy—the manufacturing capacity in this country. I want to focus particularly on the auto and aerospace industries, and to consider them as part of the export effort that we must continue to make. If a Budget is about the gathering and distribution of taxation, there must be real wealth before anything of note can happen. That is why I choose to speak about the manufacturing industries in our country.

Export is everything, as far as Britain is concerned. Whether in manufacturing or services, we must recognise that for an island economy, the choice is trade or die. Therefore, we have to make friends worldwide. The right approach to world peace is to have mutually advantageous trade. I wholeheartedly support the efforts of our exporting community to call for assistance wherever it is required, in their main effort of ensuring that Britain pays its way. I shall speak in a moment about the conditions of work in which we are operating, and the effect that those have on the balance of payments.

The overall thrust of our economic policy has not been particularly helpful to our manufacturing industries. If manufacturing is at the heart of what we do, and most else is peripheral to it, we have for many years not taken care of it as we should have done. Our current balance of payments deficit is some £51 billion—considerably different from what it was just 10 or 15 years ago. That figure is accounted for by a monthly deficit in manufacturing of £7 billion to £8 billion, which is offset only by a services surplus of some £3 billion.

Given that situation, it is right to recognise that manufacturing has continued to increase its output, although its share of GDP has fallen. In 1995, the output of manufacturing and allied services was overtaken, in terms of growth in GDP, by the services sector. The services sector now accounts for some 75 per cent. of total output. Again, that illustrates the fall from grace of manufacturing in our country.

At the same time, I should like to pay tribute to those in the manufacturing industries, by recognising that their productivity gain has been startling—startlingly good, it is nice to report. Indeed, in 2004-05, it reached the giddy heights of 8 per cent. per annum. The figure has moderated a little since then, but it is still well ahead of the productivity gains seen in the services sector. Although more should have been done to assist in the manufacturing endeavour, those increases in productivity illustrate that manufacturers have, in the vernacular, been playing a blinder.

Mr. Evans: I share the hon. Gentleman's interest in the manufacturing industry in the UK. We are all aware of the balance of payments deficits overall, in manufacturing and services put together. However, does he agree that the Government ought to be doing more to support small and medium-sized businesses in particular, by holding more exhibitions and trade missions abroad and by giving those businesses more assistance to participate in them?

Mr. Purchase: The hon. Gentleman shares my views on such matters. Of course I agree with that, but it is worth reflecting on the fact that although we have some seriously good manufacturers—world champions in many respects—we have an enormous tale of underperforming small and medium-sized businesses, which tend to cause a drag on the entire system. The measures announced today to encourage small and medium-sized businesses are helpful—probably not sufficient, but the direction is helpful. I want to say a little about trade exhibitions and the export effort in a moment.

Mr. David Kidney (Stafford) (Lab): Although we could say that this Labour Government were slow to support manufacturing, would my hon. Friend give credit for the manufacturing strategy, its refresh, the manufacturing advisory services and the introduction of R and D tax credits? Does he think that such supports might explain why this year's survey of manufacturers by the EEF—formerly the Engineering Employers Association—says:

"Investment intentions this year have been the strongest since 1995"?

Mr. Purchase: I think that I read the same paper. That is absolutely true, and the Government have taken a number of measures. I am merely saying that they are insufficient. Everything is helpful, and I am a fan of the manufacturing advisory services in particular. Hon. Members may be familiar with their work in different regions, especially in assisting small firms—in efficiency and lean manufacturing, for instance—which has been extremely helpful and well supported by the regional development agencies. In that sense, I readily concede that the Government whom I support have been taking measures to help small companies.

I repeat that the message that I want to get across to those on the Treasury Bench today is that we are not yet doing enough; more needs to be done. We can see from the industry's productivity gains that it is responding

magnificently, but its general output is still falling behind that of the service sector. That is not a sustainable policy for the long term. We must move back to a more vigorous, growing manufacturing industry. There is not a country in the world that is successful in the way in which we want to be successful that does not have a strong, well-performing manufacturing sector.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): I share my hon. Friend's passion for manufacturing. Does he welcome the Chancellor's statement today that Government Departments will be doing all they can to coach tendering propositions from companies in this country, and to procure goods from this country?

Mr. Purchase: Yes, and may I also point out that many of our local authorities have a long and honourable record of putting together trade fairs especially for the benefit of local manufacturers, and traders in goods and services, in order to create a virtuous circle of economic growth within their districts? I want to see those practices expanded and made best use of, as they make a positive contribution to the overall effort.

It is important to look at exports, and I shall come to UK Trade and Investment—UKTI—in a moment. We now have perhaps the most favourable exchange rates for manufacturing that we have seen in a considerable time. We have seen a fall in the pound against the euro of 12 or 13 per cent. since last summer, which is extremely helpful to our exporters. We have also seen a growth in the strength of the pound against the dollar, which is helpful in so far as many of the raw materials that we import come from outside the euro area, from the dollar areas. We then sell our manufactured goods into the euro area. That provides an ideal opportunity for the Government to redouble their efforts to give more encouragement to exporters to take advantage of these circumstances, which could last for another 12 months or just until tomorrow—who knows? We just do not know, but we must recognise that we have that advantage.

In my constituency, some years ago, Goodyear—a world-famous company—was buying rubber in the dollar markets and selling its products overwhelmingly into Europe. It was facing a reverse premium on currency of about 15 per cent. Thank goodness that has gone. The advantage that we now have is extremely helpful. Exchange rates are creating very favourable conditions, and this is an ideal opportunity for the Government to look really hard at how we might assist our manufacturing and export industries.

The UK has the second largest aerospace industry in the world, outside the USA. In 2006, its sales reached almost £20 billion, and two thirds of that went into exports. The aerospace manufacturing community has responded magnificently to the challenges of global competition. It employs—directly and indirectly—about 275,000 people, and an additional 50,000 are employed abroad by the aerospace industry, mainly in the USA. It invests about £2.5 billion every year in research and development. Such investment certainly fell during the Tory years, but it has grown and stabilised since then, and it is still improving. That is to be welcomed. The aerospace industry remains very important to the future of our manufacturing industries. The technology base that it brings is invaluable, and must be nurtured. We have to cherish it, to ensure that the spin-off from the investment in R and D spreads out and benefits the whole country.

In the auto industry—manufacturing, distribution and servicing—the business sales are about £200 billion per annum. It has 200,000 direct employees and 500,000 people employed in distribution, sales, servicing and maintenance who are supported by the auto industry. The industry represents 5 to 6 per cent. of our total manufacturing output. It, too, must be cherished, and our people are responding.

Lorely Burt: The hon. Gentleman comes from the same region as I do. I have Land Rover in my constituency, and Jaguar is close by. Ford has invested £700 million in research and development technology to make the vehicles more carbon efficient. The vast majority of the vehicles manufactured by Land Rover in the UK go abroad, which enhances our export performance.

Mr. Purchase: It does indeed.

Mr. Evans: Those are the vehicles that the Chancellor has announced the extra taxes on.

Mr. Purchase: Thank you very much.

I endorse the remarks of the hon. Member for Solihull (Lorely Burt). We share a common interest in the success of the auto industry, not least because, although manufacturing employment in the west midlands has fallen from about 92,000 people 10 years ago to about 71,000 now, our region still massively outdoes any other region in auto industry employment. Our auto industry's exports in 2006 were almost double what they were in 2005, but imports of autos have risen even faster. We now have a trade imbalance of £6 billion-plus, compared with only £3 billion in 1995.

So there we are. Manufacturing industry in aerospace, in autos and in other areas has, without question, responded magnificently to the challenge of global competition by rapidly improving its productivity figures, and that is to be applauded. I am not saying that the Government have done nothing. I know very well that they have taken action, and I have been cheering along many of the initiatives that have been taken. However, we must also consider the kind of support that is being provided in France, Germany and Japan.

This brings me to the point raised by the hon. Member for Ribble Valley (Mr. Evans) about trade fairs. Frankly, we are pretty abysmal at all that. We set up an organisation—UKTI—under this Government in 1999, and we promised that it would do the job of ensuring that Britain's voice in trade was heard far and wide. The truth is, however, that we have under-resourced it ever since. A proper review of the needs of UKTI must take place without delay, so that it can fund the trade missions that make such a difference, especially to small and medium-sized companies. The bigger companies can look after themselves in the world market in most cases, as long as their own Governments are providing the right framework.

Our local chambers of trade and the regional agencies are anxious to promote the worldwide opportunities for export that the smaller companies often do not take advantage of, simply because they lack the support to

[Mr. Purchase]

take them abroad to do the business. I ask those on the Treasury Bench, again, please to recognise that in UKTI, whatever faults have been found and criticisms have been made, there are the tools to do the job—but as ever, we need to ensure that it has the resources to back up the work that it can do and the expertise that it has developed over these years. We need to recognise that we must stop fiddling with it—with name changes, different duties, sectionalising what can be done, and targeting this and that. For goodness' sake, let us recognise that in many ways one export product is as good as any other, and give that general support to the exporting effort that I know would be extremely welcome.

There you have it. We are doing good but, in the words of the advert, "We're no' doing great." The way to do that is to support our manufacturing and exporting industries and to ensure that the heart of this country and its wealth creation is in good shape for the future.

3.29 pm

Mr. Peter Lilley (Hitchin and Harpenden) (Con): It is a pleasure to follow the hon. Member for Wolverhampton, North-East (Mr. Purchase), who rightly reminded us of the importance of manufacturing industry. When I was Secretary of State for Trade and Industry, my mantra was that we could not have a healthy economy without a strong manufacturing sector, which, as he emphasised, is increasingly higher value-added and high tech.

Of course, Governments cannot always decide the proportion of economic activity in manufacturing and in services—they want both to be strong and good. As an economy, we have benefited from a strong service sector and a strong financial services sector over the past couple of decades because the relative demand for those services has risen. I fear that in a period of economic difficulty focused on the financial services sector we will have greater difficulties than some countries that rely less on that sector than we do. We need to be careful about that and we are jolly glad that we have a manufacturing sector such as that described by the hon. Member for Wolverhampton, North-East.

My right hon. Friend the Member for Fylde (Mr. Jack) described this Budget as a Chinese meal—soon eaten and even sooner forgotten. That is a fair description of the Budget, but a very unfair description of a Chinese meal. I invite him to join me for a meal in the Oriental Garden in the village of Offley, from which I come. He will have a very memorable meal.

Mr. Jack: May I immediately reciprocate my right hon. Friend's generosity? I look forward to getting our diaries together.

Mr. Lilley: I would like to enter that on the Register of Members' Interests.

A disgraceful feature of this Budget—it has, I am afraid, been a feature of Budgets in recent years—was the lack of transparency and the tendency to exclude from the speech important measures or any details that make comprehensible the measures that appear in it. I can remember, as I am sure my right hon. Friend can—we were both Financial Secretaries to the Treasury, and I was Economic Secretary before that—that when we drew up Budgets, officials would sometimes say, "You've got to include that measure. It might be boring, but it's important. It raises revenue." Invariably, we would say yes. There was a presumption that anything important or significant had to be included and explained and the cost made apparent. The tendency in recent years has been to do exactly the reverse and say that anything important, anything that will be painful or anything that imposes burdens of taxation on people will be hidden in the small print of some press release and barely mentioned in the speech.

We had the extraordinary experience of the Chancellor giving a Budget speech shortly after taking £100 billion of additional liabilities on to our balance sheet without mentioning that he had nationalised a dodgy bank or that he had included the extra loans on the nation's balance sheet. I find that disgraceful. It is not treating the House or the nation fairly. I understood that the Office for National Statistics had said that that would be on the balance sheet. The figures should be included in the nation's assets. The fact that the provision does not come in until the first day of the new financial year is not an excuse for not including it in today's Budget.

Closer inspection of the book leads us to discover that the lollipop in the speech—the offer of an increase in the winter heating allowance that the Chancellor announced—will be financed for only one year. It is a one-year increase. Will it disappear next year? If it will, that is fair enough, because no money has been set aside for it. However, if the Chancellor is giving the impression that it will be extended this year, no money has been set aside and there is some dodgy financing going on there, too.

We were not reminded that the most significant change that will occur in the tax system as of 6 April is the abolition of the 10 per cent. rate band: 5.3 million of the least well-paid people in this country will pay more tax. The Chancellor did not mention it, let alone point out its impact on those people's standard of living. He also failed to remind us, of course, that it was introduced in an attempt to create the impression that he was cutting the basic rate of income tax by using the money in his last Budget to announce a 10 per cent. basic rate cut while eliminating the 10 per cent. rate so that most people actually end up paying more.

The Chancellor accidentally said that he was cutting corporation tax from 38 per cent. to 28 per cent., when the actual cut is from 30 per cent. to 28 per cent. I think that that was just a slip of the tongue; I make no complaint about it, as we all make such mistakes and I am guilty of them from time to time. What the Chancellor did not mention, however, was that the corporation tax rate for small companies is going up as of the beginning of this financial year. That matters to millions of small companies, which are, above all, the job and wealth creators of the future—and hopefully the big companies of the future. They are enraged by that prospective increase and the fact that it is being made at these particularly uncertain times in the economy.

The Chancellor was remarkably opaque about what he is doing with non-doms—non-domiciled residents who work here, but do not necessarily pay tax on overseas income. They pay tax on their income in this

country and it would have been interesting to hear from the Chancellor exactly how much tax they pay on the incomes they generate in this country. It appeared to me that the Chancellor was backing off in his proposals and reverting more to those made by my hon. Friend the Member for Tatton (Mr. Osborne), the shadow Chancellor, to pay a flat £25,000. Of course, the Chancellor charges more—unsurprisingly, as Labour always charges more—but once the non-doms have paid, no further inquiries are made about their foreign revenues.

In fact, when the Chancellor said that he was going beyond that and was not only going to charge the non-doms that sum, but start chasing their overseas income and investments as well, he produced an absolute uproar among the non-dom community resident in this country.

A friend of mine, who is not a non-dom in this country and is not even resident here, has a business in central Europe. He lives in Zurich. He told me that he was delighted by what the Chancellor proposed because the outflow of non-doms from this country to Switzerland—to the fashionable suburb of Zurich where such people live—has been such as to treble the value of his house since the announcement was made. The idea that this is just a brouhaha is not the case; people are physically upping sticks and moving, and we are losing not just the £25,000 or £30,000 that they might pay, but the hundreds of thousands in tax revenues that they are paying on their incomes in this country, generated in this country, and, of course, the prospect of moneys being returned from abroad to this country—not to mention the contribution they make to arts and charities.

Lorely Burt: Will the right hon. Gentleman clear something up for me? Was not a £30,000 tax for non-doms initially a Conservative proposal?

Mr. Lilley: I am sorry that the young lady—I mean hon. young Lady—has not been listening. I said that I hoped that the Chancellor was reverting more to the proposal that my hon. Friend the shadow Chancellor made for a flat licence costing £25,000 a year. The idea was that if a non-dom paid that, no further inquiries would be made into foreign income. The Chancellor then went much further by saying that in addition to paying the flat fee, investigations would be made into foreign trusts and related financial matters. As I was saying, the non-doms were not prepared to tolerate that, hence the outflow from this country.

The Chancellor seems to be moving from that position, but it is very hard to tell even from the press release—it is simply impossible to tell from his speech—whether he has done a complete U-turn. I very much hope that he has and that he has adopted the shadow Chancellor's more sensible proposal, as a result of which some of those who have moved to Zurich may think again. The press release says that the Chancellor is not going to charge for people's children. It has always struck me as an extraordinary idea that one should have to pay £30,000 a child, although £35,000 is still going to be payable for a wife. How that applies in a system of independent taxation, I do not know.

Lorely Burt: Spouse.

Mr. Lilley: I should say spouse, yes. Wealthy wives will have to pay for their non-earning husbands and vice-versa.

Mr. Austin Mitchell: It must be admitted that although the formulation has changed, it is clear that the Conservatives were proposing to raise a far larger sum through their taxation of non-doms than will be raised by the present system. Did that trebling of house prices in Zurich begin at the Conservative party conference, when the Conservatives first announced their intention to hit their friends, or did it begin when the Government followed suit?

Mr. Lilley: I think it began the day the Chancellor started announcing proposals to investigate overseas earnings and bring them into the United Kingdom tax regime, on top of charging £30,000 per member of a household. I am pretty sure that concerns will be lowered if he has indeed performed a complete U-turn.

The one thing that we do know about the Chancellor's proposals is that he has committed the next Parliament not to change them. But, as the hon. Member for Great Grimsby (Mr. Mitchell) will know, one cannot commit a future Parliament to anything. One can commit one's party for a future Parliament, but one cannot rely on its being in government. I certainly hope that we cannot rely on the Chancellor's party remaining in Government. I think he should at least have made it clear that he was speaking only for his own party. I am sure that my party will do all in its power to alleviate the problems that he has created, but the next Parliament cannot be bound by anything that he has announced today.

The central issue underlying the Budget was how prepared we are in this country for a potential slowdown in the British and world economies. It is not the job of Members of Parliament to forecast the future. When it was my job and I was a forecaster, I enunciated Lilley's rule, which was "Never make a forecast except about the very distant future or the immediate past". That is the safe thing to do, because one cannot be found out, but one can claim to have forecast what has just happened.

I do, however, remember the distant past. One of the advantages of having reached my stage in life but having, before arriving in the House, had a career in the real world is that I observed what happened in the 1960s and 1970s, and I have a sense of déjà vu. Then as now, America was fighting an unpopular war. Then as now, it was financing its unpopular war without raising taxes. Then as now, that produced a huge deficit in the American Budget. Then as now, that Budget deficit produced a corresponding deficit in the balance of payments and a big outflow of dollars across the world, which was absorbed in the foreign exchange reserves—then those of Germany and Japan, now those of China and other countries.

For quite a long while—the best part of a decade—that outflow of dollars across the world produced an unparalleled period of prosperity and strong growth combined with low inflation. We seemed to have the best of all possible worlds, much as we have had for the last decade or more in the western world. But, then as now, the outflow of dollars began to drive up commodity and oil prices. We are in roughly that position at the moment. We know what happened next then: for a while the rising commodity prices seemed to be absorbed by, for instance, the squeezing of margins of companies and a burst of productivity increases, but after a while

[Mr. Lilley]

that could not be maintained. Rising commodity prices showed up in rising prices of goods and services, and inflation began to accelerate. When Governments tried to slow that inflation by putting on the brakes, they were landed with stagnation with no reduction in inflation. Stagflation was the phenomenon of the future.

The only question that we need ask is "Why should it be different this time?" Why should history not repeat itself now? But our history does not always repeat itself.

Stephen Hesford: I am obliged to the right hon. Gentleman, who will have an active memory of those times. I was still at school but have read since that, yes, the UK had stagflation, but stagflation was not universal. There were economies that survived and prospered but, unfortunately, not the UK's. Is not the position the other way around this time? The UK is in a position to survive, but other economies are not.

Mr. Lilley: That was very much the question that I intended to address and I am grateful to the hon. Gentleman for prompting me. It is the important question; not merely, "Will it be the same this time?" It may not. Marx said:

"History repeats itself, first as tragedy, second as farce."

Maybe it will be farcical this time, maybe not. If it is to repeat itself, how well placed are we to cope with something similar? The lessons of the period when the hon. Gentleman was at school and I started at university, before working first as an economic consultant and then in the City, was that countries that had run a very tight ship experienced far fewer problems during the latter and more painful unravelling of events than those that had run large budget deficits and a less tight ship. The sad truth is that we now have the highest budget deficit of any major country, with the exception, as my right hon. Friend the Leader of the Opposition pointed out, of Bangladesh, Pakistan and Hungary.

Mr. Brady: Egypt.

Mr. Lilley: Egypt, Pakistan and Hungary. My apologies to Bangladesh. It is sad that one must apologise to Bangladesh for being compared with the UK; there were times when it would have rather welcomed such a comparison.

Running a tight ship is important. We have not done so and the prudent period of the early stage of the Government—when they committed themselves to following the spending plans they inherited from their Conservative predecessors—gradually eroded. At precisely the time they ought to have been starting to be more cautious, they became less cautious. They ought to have been repairing the roof while the sun was shining; instead, they were squandering the money coming into the Exchequer.

The second feature that helped countries in those difficult times was that they had strong foreign exchange reserves. The Prime Minister squandered our gold reserves; had he known history, he would have realised that gold is one of the things that increases in value most during these cycles. The losses that he incurred by his decision to sell off the gold reserves exceed the losses of any of the Jerome Kerviels or Nick Leesons of the past, making him the biggest rogue trader of all time. The fact that our reserves are not as healthy, to the tune of many billions of dollars, is a sadness.

Countries that had lower tax burdens did better in those circumstances than countries with high tax burdens. It is sad, too, that we have moved from having one of the lowest tax burdens in Europe to having one of the highest. We have overtaken Germany, not just because our burden has been going up but because other countries, prudently and sensibly in the good times, have been cutting their tax burden; we have not.

The fourth feature that helped countries weather the storms was flexible labour and other markets. I am happy to say that we did liberalise our labour markets and reform our trade unions during the 1980s and 1990s. The Government inherited that and have retained a good part of it, which puts us in a better situation than we might otherwise be in. But they have been adding burdens to businesses and companies, regulating and collectivising, which means that we will be a bit less flexible than we might have been and a bit less well placed to deal with the possible dangers of coming years.

We should also ask why the credit crunch is occurring: why are we facing the current difficulties in international banking and credit markets? It has been suggested that the crunch has been caused by a lemming-like move by banks and other financial institutions to invest in high-risk and imprudent investments. However, banks and financial institutions—some of them, at least—have always been prone to being imprudent. Some have always made bad investments, but those bad investments do not normally provoke a credit crunch. So what is different this time? It is a moot point whether imprudent investments, which have undoubtedly been made, have caused the crunch or whether the crunch revealed the imprudence. I drew an analogy in a recent debate: when the tide goes out, we see who was swimming naked, but the fact that some people forgot to wear their bathing trunks did not cause the tide to go out. Likewise, when the tide of credit ebbs, we discover who was making imprudent investments, but those imprudent investments might not have been what caused the credit crunch.

The usual criticism of banks is that they will not take risks. I constantly meet businessmen who say, "I've got a terrific idea and project, but the trouble with the banks is that they will not take a risk." As the banks are usually criticised for preferring safe investments to risky ones, why have they apparently moved towards investing in riskier assets in recent years? I suggest the answer is that interest rates have compelled or encouraged them to do so. We have been through a period of low interest rates in real terms. That is to do with the supply of savings relative to the available investment opportunities. The supply of savings comes above all from China, but it transfers itself across the world economy, and in order to bring about a balance between borrowing and lending and saving and investing, interest rates had to be held lower. That meant that people had to invest a large sum of money in lower yielding assets because there were not enough higher yielding assets—in less secure assets because there were not enough highly secure assets. They did so because that was all that was open to them—not because they suddenly became

transfixed with the idea of taking high risks for low yields, but because there were not any high yields for low risks. If they had not done so, we would not have had a balance between supply and demand in savings and investment, and we would then have been in the classic situation of a Keynesian credit slump.

Suddenly, the banks are now holding off from investing. Instead of everyone praising them, saying, "Oh, good, they are being prudent; how wonderful," the central banks of the world are saying, "For God's sake, resume lending. We will flood the banking markets of the world with money—cheap, easy, readily available, often secured against rather dodgy assets—because we want you to start lending again."

The problem has been aggravated by the fact that the banks thought they had security by lending against collateral. They took as collateral solid bricks and mortar: property. The banks and financial institutions of the world—including Northern Rock—invest in mortgages secured against physical assets. The trouble is that the value of physical assets is a financial issue, not a matter of physical bricks and mortar. For a while it all seemed wonderful. They took property as collateral. That encouraged more investment in property. That drove up the price of property. That seemed to validate their decision to take property as collateral. It was all hunky-dory until there was a feeling that the money created by that lending was flowing into other markets and inflation was beginning to rise. The central banks across the world began to raise interest rates again to choke off the prospect of inflation. Their doing so initially choked off inflation in the housing market in America—it is beginning to do the same in the UK. Suddenly, the collateral was worth a lot less; there have been sharp falls in property prices in America. The property bubble burst, and that had a synchronised effect. It was not the random effect whereby someone dealing with different businesses in different markets will find that some experience problems while others do well. Because the banking system as a whole was relying on property as its collateral, the banking system as a whole found itself in difficulty.

The whole world financial system is hugely brittle; we are sitting on a knife edge. The financial institutions—the monetary authorities, led by the Federal Reserve and with our own central bank joining in—are trying to flood the system with money to start people lending and borrowing in order to prop up the value of collateral. They are dealing with a difficult problem and there is no guarantee that they will succeed—I think Keynes described it as like pushing on a string—but I hope that with enough cheap money they will. The difficulty lies in whether they can restart things without going to the other extreme and triggering greater inflation next time round.

Bob Spink (Castle Point) (Con): On a point of order, Mr. Deputy Speaker. I wonder whether you could advise me on how I can inform the House that I have, as of today, resigned the Conservative Whip because the party has failed to deal with serious criminal and other irregularities in my constituency.

Mr. Deputy Speaker: Order. I think that the hon. Gentleman has done enough to inform the House on that point. It is certainly not a point of order for the Chair.

Mr. Lilley: Well, not only is the world financial system brittle and on a knife edge, but so is the future of my hon. Friend the Member for Castle Point (Bob Spink).

All this House can do is recognise that those monetary authorities have a delicate task in trying to get us back to a position of balance between the risk of deflation and the risk of inflation renewing. We must recognise that the solution will not be found simply in piling regulation upon regulation on to the financial system. The problem was not caused by regulatory inadequacy, although there have been such inadequacies. It was not even caused primarily by a spontaneous eruption of imprudence, although there was imprudence. It was caused by a basic problem in the financial system, which built up over quite a long period and will require the greatest delicacy and wisdom to resolve. The Budget was presented in that context, but I fear that it did not prepare this country adequately for the difficulties that may be ahead of us.

3.58 pm

Barry Gardiner (Brent, North) (Lab): Conservative Members have spoken about the burden of taxation—that is how they regard it—but I regard taxation as the price that society pays for civilisation. Taxation is the Government's key instrument for delivering social justice. Taxation is not only certain in life, but necessary. It is needed to bring about the equality upon which any cohesive society must be based. On that view, equality does not undermine liberty—it undergirds it. I therefore look to the Budget to use fiscal policy to redistribute wealth and create social cohesion. The Chancellor's proposals to take a further 250,000 children out of poverty do that, and I welcome them. I also welcome the rise in the winter fuel allowances for the elderly for the same reason.

The background to this Budget is clearly in the United States of America. Some 63,000 jobs were lost there in January alone, and the word "recession" is now being spoken quite openly in American boardrooms. The Federal Reserve has already cut interest rates by 1.75 per cent since last summer, and on Friday it pumped $200 billion of liquidity into the financial markets.

The US sub-prime market was based on such liquidity, and I echo the sentiments of the right hon. Member for Hitchin and Harpenden (Mr. Lilley) and the hon. Member for Beckenham (Mrs. Lait) on that point. It was based on liquidity within and between lending institutions. When that liquidity dried up, it was no longer possible to bring in more debt at the bottom of the pyramid, and the turning point in the market was reached. But liquidity is not an answer on its own. It is capable only of masking a bad business model for a time, not of curing it. The sub-prime market was a bad business model, for the reasons that hon. Members have outlined. It was aimed at people who should never have been drawn into such a level of debt.

My right hon. Friend the Member for West Dunbartonshire (John McFall), the Chairman of the Treasury Committee, discussed Northern Rock and the FSA's role as regulator. I wish to make some broader remarks about regulators and credit rating agencies and draw some lessons for other sectors of the economy, such as the utilities sector.

[Barry Gardiner]

UK utility regulators have trusted in credit ratings. Their use of ratings was always a misuse, but now it flies in the face of increasing evidence that they can be dangerously wrong. Northern Rock, of course, is a prime example of that. Regulators have allowed increasing debt at a time when the impact of global warming is causing severe financial shocks to utility companies. The regulators' reliance on credit ratings now looks dangerous and out of date. The UK's economic regulators have a legal duty to secure licence holders' ability to finance their activities. That duty has been viewed as a need to check, inter alia, that companies are not over-leveraged, which regulators have achieved by requiring a combination of investment-grade credit ratings and a secure ring fence around the regulated legal entities.

Two major problems with that approach have emerged: the first is with the credibility of credit ratings and the second is with the stability that the ring fence can create. Rating agencies have made a series of systematic errors in many of the world's major industry groupings. The list of those affected in this decade alone is staggering: in power and energy, it included the independent power producer sector from 2001 to 2004; in telecoms and media, it has included major telecoms companies such as WorldCom. It has also included financial institutions such as Northern Rock, and of course property, with the US sub-prime sector.

It is also at least arguable that the regulators are abusing credit ratings. The rating agency Fitch Ratings defines a BBB rating as indicating that

"there are currently expectations of low credit risk."

Note the use of the word "currently". The rating agencies clearly use a probabilistic approach and state that ratings are not immutable, whereas the leveraged financing structures allowed by regulators may stand for 25 years. The credit rating downgrade of some monoline insurers who guarantee junior debt in many securitisations highlights the degree of systematic change possible, even in a relatively short time frame.

There has been a strong and coherent argument supporting leveraged financing structures in utilities: high leverage focuses management attention on delivering tight budgets and reduces the cost of capital, thereby allowing lower tariffs. The corollary to that is that it may also reduce flexibility, and we need to heed that warning. Decision making by utilities dealing with the crisis should not involve seeking permission from creditors to spend money. Given typical restrictions in leveraged finance agreements, circumstances in which that is exactly what would be required are perfectly plausible.

Last summer saw widespread and devastating floods across many parts of the UK affecting all types of infrastructure, including utilities. Fortunately, the utilities affected, such as Severn Trent Water and Central Networks in the midlands and CE Electric in the north-east, are owned by well capitalised holding companies. Severn Trent Water alone reported costs of between £25 million and £35 million to respond to the floods. It is increasingly important that utility companies are able to withstand a financial shock. Global warming is causing freak weather, and the financial flexibility required by utilities has to be increased if they are to be able to respond immediately and effectively to the type of incidents that we have seen in this country.

Regulators have powers to impose cash lock-ups on licensed utilities and to apply for a special administration if a company cannot finance its activities, but both courses of action are problematic. A cash lock-up can be imposed, but if a company has no cash at the time it will still not have immediate access to funds, and special administration is not straightforward. An administrator's duties in some areas conflict with those of a regulator: an administrator is appointed by a court and has a duty to a company's creditors, whereas regulators have duties regarding customers, such as the economic delivery of services and, of course, the security of supply.

Our regulators all have access to significant investment banking and capital markets expertise. The increasingly prevalent model of leveraged finance—both Norweb and Southern Water were subjects of leveraged acquisition at the end of last year—covers a range of water, electricity and gas companies. There is now sufficient evidence that credit ratings are not a suitable method for regulators to discharge their duty to ensure that companies can finance their licensed activities to justify a move to a more bespoke approach. High debt levels have helped to keep tariffs low, but low tariffs are not more important than keeping the lights on and the water flowing. I hope that we will apply the lessons learned from the events in the sub-prime market and our experience of Northern Rock to a wider range of service sectors in this country. If we do not, similar problems could arise in future.

In 1993, the first Labour suggestion that non-doms should be taxed on their worldwide income was made. At the time, I ran a company of general average adjusters in the City, and I well remember the concern that that suggestion caused in the shipping world and the financial services sector. I took a delegation to meet my good friend Paul Boateng, now our high commissioner in South Africa but at that time our shadow Minister with responsibility for banking and finance, to point out that the potential loss to the economy was greater than the potential gain. I am glad to say that he and the shadow Chancellor drew back from the suggestion.

Looking at the figures now, it is clear to me that estimates vary—well celebrated fag packets have been used in the calculations. There are figures suggesting that between £4.5 billion and £7.5 billion is contributed to the country in revenue by non-doms. Estimates of further spending into the UK economy range as high as £16 billion.

One of the principles of taxation was expounded by John Rawls in 1973 in his great work "A Theory of Justice"—the maximin principle: one does not do anything without ensuring that it will improve the lot of those who are worst off in society. The point of taxing non-doms must be that more revenue will be gained than will be lost from the off-putting effect of the revenue-raising measure. It has not been shown that that will happen as a result of the moves made in the pre-Budget review. I am extremely pleased that the Chancellor appears to have backed off from a number of suggestions that would have been quite wrong and improper, and that would have violated the maximin principle. They would have actually caused a net loss to the Treasury overall.

I welcome the fact that income and gains in offshore trusts will be taxed only when they are remitted to the UK, even if they come from UK assets, and the fact that children will not pay the £30,000 charge. It would

be better if the £30,000 charge were per family, rather than per adult in a family. The £30,000 charge should be creditable against foreign tax. That is significant when it comes to dealing with workers from American companies in the UK, and with regard to the risk of double taxation.

There has been talk today of a flight of non-doms. It is important to recognise that owing to turbulence in financial markets, what has been going on in the sub-prime market in the US, and the situation as regards liquidity, debt markets across the globe are contracting, as are credit markets. All those in the City working for big American or overseas banks face a contraction, too. There is already a flight—an exodus—and it is due not to anything that the Chancellor proposed in the pre-Budget report, or anything that he is proposing now, but to that contraction in the market, which is the result of what has been going on in the sub-prime and other sectors in the United States.

I welcome the change to the position regarding art works brought into the UK for public display or repair and restoration; they will face no new taxation. I also welcome the fact that people with unremitted offshore incomes and gains of under £2,000 are exempt from the charge and the changes to personal allowances.

The biggest problem with opening the Pandora's box of reassessing the position of non-doms is that non-doms bring revenues and expertise to the country, and form the epicentre—the honey-pot—of the shipping world, the legal world and the financial world in the UK. We do not want to lose all that that brings into the City of London, and the revenues that flow from that, which are used for the benefit of the rest of the country.

Treasury officials' valuations of how much a measure relating to non-doms would bring in are between £500 million and £800 million. That is nonsense, and it has to be seen as nonsense. The introduction of such a measure was rejected by Margaret Thatcher, by Labour in opposition, and, at first, by Labour in government. Why has Pandora's box now been opened? It is because the Opposition came up with a proposal for a simple £25,000 levy on non-doms, and officials in the Treasury thought, "That gives us cover to see whether a Labour Chancellor will go for such a measure." The real problem is uncertainty. To raise the issue is to open Pandora's box. People need certainty in their tax planning. International businesses need certainty and clarity in that regard. In view of the position of the two parties, people will not be clear whether they should locate in London and continue to bring their expertise and finances here.

Rob Marris: I agree with my hon. Friend that the issue is delicate, but I caution him, because it is a delicate matter for a Labour MP to stand before the House and effectively say, "Let's stand up for the rich, and let's have one law for the rich and another for the poor."

Barry Gardiner: No, it is not a delicate matter; it would be a foolish thing for anyone to do. It is not a matter of standing up for the rich against the poor. That is the point that I am making, and it is why I particularly stressed the maximin principle that John Rawls established. That is why I said that for a poxy £500 million to £800 million we should not risk our economy losing a potential £3.5 billion, £4.5 billion or £7.5 billion. I want to ensure that we get this right, so that that money is spent protecting the poor and so that we have the resources to increase the fuel duty allowance and to take 250,000 children out of poverty.

My fear is that the uncertainty will put people off. It was a bad measure, and it was a bad measure when the Conservatives suggested it. The criticism from the Conservative Benches was quite rich, given that the Conservatives launched the policy. It is a terrible thing when we cannot trust the official Opposition to get their sums right in the first place so that we can steal their policy.

I have welcomed taxation as an instrument of social justice. However, it can be used not only to redistribute wealth but to change behaviour. I am pleased to welcome the measures announced today to increase revenues from plane duty by 10 per cent. in the second year and to exclude from road tax in the first year cars with emissions lower than 130 g per kilometre. Those measures seem genuinely designed to change behaviour and to encourage people to pollute less.

That is important, because such fiscal measures, if not designed to change behaviour, tend to operate against the first objective of taxation, which I believe is social justice, because they allow the rich to go on polluting, but they stop the poor from engaging in the same behaviour. Because of that, the fiscal neutrality such as that urged by the hon. Member for Ribble Valley (Mr. Evans) is not always a salient point and is not necessarily just. If additional revenues are raised from rich polluters, they can be redistributed to poorer citizens who have been forced to change their behaviour. That undermines the point that he made earlier.

Mr. Brady: Tax on motor cars is banded according to how badly they pollute the atmosphere, so why cannot aviation tax similarly reward airlines that use cleaner aircraft? Why are all aircraft to be taxed at the same level, without reference to how clean or dirty they are?

Barry Gardiner: The hon. Gentleman makes a fair point. It is his own point, not one that I have considered, so I cannot enlighten him.

The delayed fuel duty rise of 0.5 per cent. over inflation is not necessarily a green measure and is not seriously designed to change behaviour. It is more a compromise between inflationary pressures and the need to raise additional revenue. We should consider more innovative environmental fiscal policies. The UK Government should take a lead in stimulating markets for environmental services that are not the subject of mandatory regulation. We should use the tax system to create financial incentives for businesses to invest in projects and purchase environmental service credits and offsets for environmental services, such as maintaining biodiversity, which are currently wholly voluntary. Subject to an annual limit, businesses subject to UK corporation tax could be granted a credit against tax for such investments or offsets, and the tax credits would be freely transferable between such taxpayers. Such an approach can provide a bridge between wholly voluntary CSR—corporate social responsibility—investments and the developed market for environmental services.

[Barry Gardiner]

At the Rio summit in 1992, three treaties were launched, one of which we always talk about—the Kyoto treaty or protocol. The other two were the biodiversity convention and the wetlands convention. The key difference among them is that only the Kyoto protocol provided for mandatory limits on environmental damage. That aspect of the protocol laid the foundation for the trading of emissions credits and offsets which is now attracting considerable investment; the market is set for continued growth. However, the global carbon market is now centred in London and is becoming a significant addition to the financial services sector.

Global warming is, however, only one of several critical environmental problems that must be addressed in the near term if the world's growing population—particularly the rural poor of the developing world—is not to suffer significant degradation of the ecosystems on which it depends. The other two Rio conventions recognised that, and the loss of biodiversity and freshwater resources has accelerated steeply since those conventions were promulgated. Their key weakness is the lack of mandatory provisions that create, in economic terms, scarcity of those vital resources. They therefore lack the means of price discovery that now characterises limits on greenhouse gas emissions.

There have been experiments in creating markets for such ecosystem services in the US, such as wetlands banking; in Australia, where there have been desalination credits; and in Costa Rica in respect of biodiversity. However, all are essentially domestic in focus and impact. No international system of ecosystem payments currently exists. It is common ground that biodiversity and fresh water are increasingly scarce, but that no price mechanism exists for fully valuing them, with the result that they are wasted.

I urge the Government to pioneer a system that encourages business in developed countries to invest where investment is most needed in the developing world. Such a system could be established relatively simply through the UK tax system. Tax credits are a well established mechanism for encouraging socially responsible investment. One key difference would be that the impact would be felt primarily outside the UK, in jurisdictions that met appropriate standards of governance and accountability for ecosystem investment. That would be consistent with many of the Government's environment and development policies, which are now primarily structured as aid programmes.

Stimulating such investment from the private sector could not only leverage Government aid programmes but, if properly structured, stimulate a marketplace for environmental services investment—for credits and offsets—that would significantly increase the resources brought to bear on those problems. It would also bring in private sector and market disciplines.

Given that ecosystem projects are long term and typically require significant up-front costs, it will be important that businesses be entitled to transfer excess credits that cannot be applied under annual limits to the use of the credits and to bank them against future tax liabilities. Those characteristics will provide confidence that the full value of the investment could be realised by the funding business and allow each business to use the credits as an integral part of its financial and tax planning.

A market in such credits could then emerge to a limited extent. The goal, however, would be the stimulation of a market, comparable to the carbon market, in ecosystem service payments themselves. That would be done by requiring that to qualify for the tax credit, the investment would have to be structured to create fungible securities denominated in standardised terms and international currencies. Those new securities such as carbon credits could be registered and issued by participating countries that met standards specified in secondary legislation—standards for verification, monitoring and so on have been developing for some years both in national systems, such as that in Costa Rica, and across the voluntary sector. Augmented by standards of administration and transparency, the securities could provide sufficient integrity to underpin a new marketplace of considerable size and effect.

John Thurso (Caithness, Sutherland and Easter Ross) (LD): I have been following the hon. Gentleman's argument with great care and I agree with much of it. Is he aware that the blanket bog of Caithness and Sutherland represents one of the most important carbon sinks in the world? Will he assure me that any scheme of which he is thinking would not be prejudicial to our domestic banks of carbon and would not merely be for overseas?

Barry Gardiner: I welcome the hon. Gentleman's ingenuity in weaving his constituency so seamlessly into the debate. Of course, he is absolutely right: the carbon sequestered in peat bogs in this country alone is worth more than all that the forests of France and Germany have sequestered in wood. It is an absolutely essential resource, and the hon. Gentleman is right to make the point, even though he does so extremely shamelessly for the benefit of his own constituents.

There is now a natural opportunity to extend the UK's leadership in carbon trading to trading in other environmental services while attracting new and larger-scale investments than voluntary efforts can afford and providing significant additional resources from the private sector to help to achieve goals that are being pursued almost exclusively through the public and not-for-profit sectors. The growth of the carbon market after mandatory requirements were imposed after years of very limited voluntary effort by business demonstrates the necessity and effectiveness of genuine financial incentives in underpinning market mechanisms. In the absence of international treaties with mandatory limits on the use of other ecosystem services, our tax system could provide an alternative basis for the development of market mechanisms comparable to those of the carbon market.

I want briefly to touch on the raising of the duties on alcohol, which relates to a problem that has been widely trailed in the press in recent weeks. No raising of the duty will meet the taxation objectives that I have set out. It will mean that rich people can go on drinking as much alcohol as they like and poorer people may think a little bit more about whether to buy it. That in itself is not the issue. It would be much more powerful were we to introduce the sort of controls that were introduced in the pharmaceutical sector a few years ago when, because of the deaths of people consuming bottles of

paracetamol, we said that there could be no two-for-one or BOGOF—buy one, get one free—offers. That now needs to be imposed in the alcohol sector. We cannot expect big supermarket chains not to try to package alcohol at reduced prices. However, insisting that it can be sold only at a recommended retail price, as we have in the pharmaceutical sector, would be a far surer way of achieving the desired change in people's behaviour than simply increasing duty as a revenue-raising measure.

David Taylor (North-West Leicestershire) (Lab/Co-op): Research indicates that most people who suffer from the problem of alcohol abuse and binge drinking will have acquired their alcohol from the very low-cost supermarkets. The average urban or village pub cannot buy alcohol from its wholesalers for the prices that Tesco and others are selling it at. It will hit them hard, but Tesco will just carry on serenely, will it not?

Barry Gardiner: My hon. Friend repeats in another form exactly the point that I am making. The special offers and the undercutting of prices from the recommended retail price are enabling young people in particular to go out and get themselves drunk at little cost instead of simply buying alcohol to have a drink. We cannot effect the necessary change in behaviour merely by raising the duty on alcohol—we must tackle the source, which is the undercutting of prices.

The 58 per cent. rise in schools spending that the Chancellor alluded to is well illustrated in my constituency, where as a result of that investment extraordinary improvements have gone on over the past decade, particularly in the secondary schools. I would single out Wembley high technology college, where the percentage of students achieving five A* to C grade GCSEs has improved from 42 per cent. to, in this last year, 83 per cent. That is precisely a result of the investment that has gone in, and it must continue to do so.

I am conscious that other hon. Members wish to speak, and that I have spoken for a long time. I conclude by saying simply that the Chancellor's Budget was accused of being boring, but at least it was stable, sensible and prudent. By contrast, the Leader of the Opposition managed to speak for nine minutes and 28 seconds, by my reckoning, without putting forward a single Conservative policy. The Chancellor's fare today may have been no more exciting than a bowl of soup, but the Leader of the Opposition's soup was made of chicken, the chicken was starving and it was only the shadow of a chicken.

4.30 pm

Stewart Hosie (Dundee, East) (SNP): I have no idea what the final remark of the hon. Member for Brent, North (Barry Gardiner) meant. I promise to speak for less time than he did, or at least it will appear to be less.

This was a sub-prime Budget from a Chancellor who had no room to manoeuvre. Like his predecessor, he managed to boast about growth in the UK economy—the usual boasts—but he did not seem to understand that OECD average growth outshone the UK for at least half of the 10 years up to 2007. He failed to mention, just as his predecessor normally did, that the small dynamic economies—Ireland in particular—have had larger growth every single year since Labour came to power. He ignored, as his predecessor did—I thought that his predecessor had written his speech—the quarterly downturns in the Scottish economy, and the many low and flat growth quarters on this Government's watch. As a result of the historical policies outlined today, economic growth in Scotland has been lower than the UK average every year since 2001. Scotland has had, on average, a growth rate 30 per cent. lower than the UK's for the past 25 years.

The growth gap is not just measured in lost GDP opportunity, but in jobs, particularly manufacturing jobs. Since 1997, 1 million manufacturing jobs have been lost in the UK, with 100,000 in Scotland, 34,000 of which have been lost since 2002. As an example, 1,100 manufacturing jobs were lost in Dundee in the past year alone. Were the Government to do what is necessary to make Scotland more competitive, we could increase Scotland's GDP by an extra £19 billion over the next 10 years, and match the recent growth rate of the 15 small EU states.

I said that the consequence of the Government's handling of the economy was not simply measured in lost GDP opportunity but in the loss of manufacturing jobs. The loss of those jobs is partly the cause of, and partly the result of, an £87 billion deficit in trade and goods, which the right hon. Member for Edinburgh, East (Dr. Strang) mentioned earlier. That deficit was £77 billion in 2006. There was a total balance of trade deficit of £70 billion, which was £55.2 billion in 2006. Those are extraordinary figures, but those deficits have a further impact: a direct, quantifiable suppression of GDP growth. The impact on GDP growth was valued at £4 billion, and there has been an impact on such growth every year since. UK GDP has grown by £30 billion less than it would have had trade been in balance—about £1,000 per household.

We saw in the Red Book today that receipts are down £1.2 billion from the pre-Budget report, but there was an increased tax yield from the North sea, which was based on an average price of $83.60 a barrel of oil—an increase on the $68 a barrel estimate in the pre-Budget report. The average for the last quarter was $94 a barrel, and in four of the last five working days, we have seen record closing prices for North sea oil. I am pleased to see that the Red Book is forecasting £56 billion in revenues for the next six years, as opposed to the £38 billion in the last six-year forecast. I hope that the Government will not try to deny that this year.

Nowhere in the Budget are there plans to invest the windfall in a trust or fund for future generations, such as that in Norway. Its oil fund—its national pension fund—is worth approximately 2,000 billion kroner. It is forecast to increase to about 2,800 billion kroner in a couple of years—that is equivalent to £250 billion, which is around 20 per cent. of UK GDP. Investing in such a fund is such a sensible idea that the Minister for Energy said

"the idea as in Norway of building up a national fund is actually quite...attractive".

It is a pity that the proposal is not in the Budget. Even using some of the windfall from the high oil revenues to moderate the high price of fuel at the pump would help.

Instead, we have fuel duty proposals that can be summarised as a deferral of the 2p rate just now, an increase of 1.84p a litre next year, followed by a ½p per

[Stewart Hosie]

litre increase above the index from 2010. That will ratchet up the percentage of the price at the pump in duty and VAT, of which the Government already receive more than 60 per cent. I hope that I can come back to that with amendments in Committee or on the Floor of the House as the Finance Bill progresses through the Commons.

The key element lacking in the Budget is any incentive for growth. It contains next to nothing to give comfort to business. The economy is so tight, with the Government's borrowing rules destroyed if the off-balance-sheet PFI liabilities are included, let alone the way in which the Northern Rock unsecured liabilities might be calculated and reported, that the Government, far from taking the necessary steps to stimulate economic activity, competitiveness and growth, are scrabbling around for every penny from the taxpayer and from business to plug the holes in the books.

The Red Book illustrates my point. Last year's pre-Budget report included an estimated net debt of £37.6 billion. Next year, the figure will be £43 billion. The pre-Budget report anticipated a cumulative deficit of £541 billion, and next year we face a deficit of £581 billion. Last June, the total of outstanding PFI liability was £179 billion on £53 billion-worth of capital projects; that figure has now reached £189 billion. Approximately two thirds of that is off balance sheet. Such debts are extraordinary.

The Scottish National party Government in Scotland have removed or reduced business rates for 150,000 small companies. The UK Government should have followed suit for larger businesses and cut corporation tax significantly, allowing Scottish business to keep more of the £6 billion in corporation tax that the top 250 companies alone paid in the past financial year. The Government should, at the very least, have listened to the Scottish Chambers of Commerce and scrapped plans to raise the small companies rate, but of course they did not. Instead, they have taken their lead from the policy decisions of the previous Budget and the pre-Budget report, which the CBI estimates will take £5 billion out of business and straight into the black hole that is the UK economy.

I have not added up all the numbers yet, but it looks as though the Budget will take more than £2 billion more from business in the next three years. That is cash. Given that borrowing is tight because of the credit crunch about which we have all heard, that cash could have delivered shareholder value or encouraged new investment. It might have allowed businesses to invest, acquire, recruit and grow. Businesses could have used the cash to market, upskill or retool, to absorb the swingeing increases in energy, transport and raw material costs or, indeed, to pay better wages. The workers are rightly saying, "Look at real inflation—we need a bit of help here."

Instead, the Chancellor has done another smash-and-grab raid, taking £2 billion extra from business and around £200 million from Scotland. I hope that the Financial Secretary will explain one specific point when she replies to the debate—perhaps she can intervene now and tell me. The table on page 111 of the Red Book includes a heading, "North sea oil and gas: abuse of management expenses rules". That is forecast to take £500 million in yield in the next three years. I would have thought that, if there was an abuse in one sector to the tune of £500 million over three years, the Chancellor might have mentioned it in the Budget statement. One would have thought that something of that magnitude was worthy of note. Or is it simply another way of getting cash out of the North sea after a previous promise not to touch the fiscal regime relating to it? Likewise, the Chancellor could have made a difference with proper investment in research and development, which is historically low, at about 1.8 per cent. in the UK and less than 1 per cent. in Scotland, compared with about 2.5 per cent. for our competitors.

Those measures could have made a difference. Instead, the Government seem to be stuck on spin and obfuscation, building on what was said in last year's Budget, by estimating "intangible investment", rather than counting what was actually spent. I refer hon. Members who are interested to paragraph B.71 on page 163, where they will find that that is exactly the approach that the Government are taking. They are no longer counting the investment spent; rather, they are estimating what it might have been, based on other parameters.

The Budget speech was littered with references to social policy. Many of the social policies we agree with. Binge drinking and the violence that follows it were not referred to, but actions were taken in relation to the duty on alcohol that one might imagine would be designed to tackle the problem. It therefore seems quite extraordinary that the Government are putting 55p on a bottle of whisky, but only 3p on a litre of strong cider. Where was the attack on alcopops, which are designed to appeal to an immature palate? Where was the proper and fair taxation of cider, which is massively undertaxed, even up to 7.5 per cent.?

Mr. Mark Field (Cities of London and Westminster) (Con): I very much agree with the hon. Gentleman about alcopops. He will know that my party brought forward a policy paper only last week on that. However, could he tell the House by how much duty on whisky has increased in the past 10 years? He will find that that particular alcoholic beverage has done fairly well.

Stewart Hosie: It has done extremely well—so well, in fact, that it is generating £2.5 billion in revenue, contributing massively to the UK economy. The key thing is not the revenue for the UK economy that whisky generates from sales here, however. If the market and the industry are to grow, how can the Scotch whisky industry go to foreign regimes and say, "Stop taxing us unfairly and disproportionately", if those regimes can say to the whisky companies, "Why should we, if your own Government is discriminating against you in their handling of the duty regime in the UK?"

Mr. Russell Brown (Dumfries and Galloway) (Lab): I thank the hon. Gentleman for giving way—I have the press release from the Scotch whisky industry here. I am listening to him carefully, because he faces something of a dilemma. The Secretary for Finance in the Scottish Parliament has written to the Chancellor saying, "Don't increase the duty on whisky", yet the Secretary for Justice in the Scottish Parliament, who has been on the road to Damascus, is demanding that the price of alcohol should increase significantly, to battle the antisocial behaviour caused by those who drink in excess.

Stewart Hosie: I suspect that the young men and women who binge drink and cause disturbances on our streets in the south and south-west of Scotland and in Dundee—in fact, in every constituency in the country—are highly unlikely to do so after a few nips of 15-year-old Balvenie. We need to take on the real problem—alcopops, super-strength lager that is cheaper than bottled water, and cider, which has been undertaxed for some time—not take on an industry that generates a huge amount for the UK economy in a way that will make its export drive much more difficult.

Mr. Brown: I hope to make a contribution in this debate later, but let me say now that price is not the sole issue. The price of alcohol in some Scandinavian countries, such as Sweden and Finland, is way in excess of the price in this country, but those countries have significant problems with alcoholism. Alcohol is much cheaper in southern Europe, yet we do not see the same problems, so we are talking about more than a price issue.

Stewart Hosie: I agree entirely. Much of this involves cultural and educational issues. However, the evidence that I have seen from the UK Government and the Scottish Government suggests that price sensitivity is important in encouraging young people not to drink. Young people might have less money than grown-ups who like to have a glass of whisky. Pricing and price sensitivity are important for tackling these issues, but I believe that the Budget has tackled them in the wrong way. The Government have got it back to front by putting up the duty on a litre of cider by 3p and putting 55p on a bottle of whisky.

The Government's inability to invest and to ensure competitiveness is not the only problem. The double whammy of Government policy and the upward pressure on inflation driven by the rise in energy and road fuel costs—another matter that the Government have ignored over many years—will have a detrimental effect on consumers, who are paying higher prices for domestic energy, and for the distribution cost of all types of goods, which is passed on to them.

Fuel costs are now so high that—for contractual reasons in some cases—they cannot all be passed on from the hauliers to those purchasing the goods. The increases—and the spiking, in particular—cannot all be passed on, and this is causing huge difficulties in the haulage industry. I speak to many hauliers in my constituency and elsewhere, and they tell me that they are struggling to make ends meet.

Sammy Wilson: This problem has been thrown into sharp relief in Northern Ireland because of the high levels of duty that are imposed by the Exchequer here in the United Kingdom, compared with the much lower rates imposed in the Irish Republic. That makes it very difficult for the haulage firms along the border between Northern Ireland and the Irish Republic to survive.

Stewart Hosie: A specific issue exists when a land border exists between one duty regime and another. The hon. Gentleman knows his constituency and the Province far better than I do, but I believe that he is making a valid point. It was no surprise, when I last pressed amendments on similar matters to a vote here, that they were supported by the Northern Irish parties, by Plaid Cymru and by my own party. They also received sympathy—although no supporting votes—from members of other parties whose constituencies were remote from the economic centres, and whose hauliers were probably telling them precisely what mine are telling me.

Fuel price inflation now stands at 19.5 per cent., and food price inflation is now 6.5 per cent. According to the Alliance Trust, that has forced up real inflation for the over-75s—and, indeed, the under-30s—to 25 per cent. higher than the official published figures. Although we see average inflation figures for different groups in society, the marginal rates are always different. At a time of rising prices, I would have thought that the Government would do what they could for the very oldest and the very youngest.

It is interesting to note the measures that the Government have announced today. I support their determination to lift children out of poverty. I know that the Scottish Government are actively involved in measures to do exactly the same thing. However, the UK Government announced today that child benefit for the first child would rise to £20 in two years. That might have had a slightly different gloss if they had announced a 70p rise for the first child and a 45p rise for subsequent children. Those figures would not have had quite the same hit as the £20 figure that the Chancellor announced earlier.

The commitment to pensioners is for an increase of 2.5 per cent. or the rate of inflation, whichever is the highest. The basic pension rise will therefore be about 2.5 per cent., and there is to be an extra £50 on the winter fuel allowance. However, given the fact that the real rate of inflation for pensioners will outstrip the increase in their basic pension, I wonder how quickly the extra £1 a week will be eaten into, and just how many extra minutes the electric fire will be on before people realise that that bit of generosity is worth very little indeed.

It is worth comparing this UK Budget—with all the fiscal levers that the Chancellor has at his disposal—with the actions being taken in Scotland, particularly in relation to business. We know that businesses are concerned about their cost base, and about rising prices for road fuel, energy and raw materials. We also know that they are struggling due to competitiveness and a shortage of skilled staff, and that they are worried about the tax burden and the complexity of the tax system, and the failure properly to invest in the transport network.

David Taylor: We have heard several times how complimentary the hon. Gentleman can be about the SNP Administration in Scotland. The east midlands of England has a population approaching 4.5 million, which is not dissimilar to that of Scotland, and a very similar social and economic profile to Scotland, yet the Barnett formula awards Scotland an extra £1,200 a head, which is £6 billion. If England and its regions had access to that sort of funding, we too could do things of the sort that the hon. Gentleman cites as improvements in Scotland.

Stewart Hosie: There are two points. First, because Scotland has been in surplus for the past 30 years, every single penny spent on public services in Scotland has

[Stewart Hosie]

been raised from taxes paid in Scotland. Secondly, if Scotland's funding was to be cut to the English average, it would provide England with £150 more per head but would cut a quarter of Scotland's expenditure. If Labour policy is now to sack a quarter of the doctors, a quarter of the teachers and a quarter of the nurses and to cut back a quarter of all expenditure, I will be delighted to make that argument on the doorsteps. Sometimes, the hyperbole about the Barnett formula takes Labour Members into areas where they perhaps might not want to go.

David Taylor: As someone with Scottish roots, I would hardly advocate that approach. As far as long-term financial strategy is concerned, we should be raising the regional support that is distributed to the east midlands, the south-west and so on to the levels of generosity and largesse that Joel Barnett inadvertently allocated to Scotland three and more decades ago.

Stewart Hosie: I am well aware of the regional imbalance in spending in England. I welcome the hon. Gentleman's demand for more money for his region, but because every penny spent in Scotland has been raised in Scotland, he should not expect Scotland to subsidise the east midlands.

In the next three years, the Budget will take some £2 billion extra from business and about £200 million from business in Scotland, but notwithstanding the fact that he is taking the cash, the Chancellor has done nothing fundamental to address many of the concerns of businesses in Scotland and throughout the UK. He has failed to reverse the damaging impact of capital gains tax and has failed even to freeze the increase in the small companies corporation tax rate.

We have heard a lot about CGT, but we have not heard in any detail what impact it will have. When businesses are trying to raise cash from a private investor or a business angel—call them what you will—if that person expects the same cash return with the changes as they would have had with the taper relief in place, there will be far less money available, perhaps, for a proprietor-manager. They might say that it is not worth a jot. If they were only going to get the same cash but were going to have to pay the tax that they would not have paid under taper relief, the private investor might say, "I'll put my money elsewhere." The tax will take £700 million in yield, according to the Government. I suspect that the damage to business through lost opportunity and lost investment will be significantly higher than that £700 million.

John Thurso: May I seek clarification? Is it the policy of the hon. Gentleman's party to maintain taper relief and that if it were in full government in Scotland the scheme that it would have would be the taper relief regime that is being abolished?

Stewart Hosie: We would not have done what the Government have done, because it is damaging to business. At the same time, as the hon. Gentleman knows, because of the way in which the regime was implemented the impact on second homes—particularly in rural areas, where there is a housing shortage—might be reversed and might be particularly bad. We would not have gone down that route.

I have described the problems faced by businesses. I have described the actions that the Government have taken. I was contrasting and comparing what the Scottish Government have done in business terms with what the UK Government have done in the Budget and what they have not done. The Scottish Government have removed the cost burden for lots of small businesses with the removal of business rates for 150,000 small companies, but there was no comparable change to corporation tax through the UK for larger businesses.

We in Scotland are addressing the skills issues by training 20,000 new teachers and setting a target of 50,000 national apprenticeships—way beyond the targets set in England. We have removed complexity by properly focusing the business support network. We have taken a long-term view of how we match, first, the UK and then the growth rates of small companies through the appointment of the Council of Economic Advisers.

After many, many years, we have finally understood and are fixing the congestion problems that cost Scottish business some £70 million a year, through the M74 completion project. We have even introduced an equivalent road tariff scheme to the Western Isles—an issue that I recall campaigning on in 1983. We wanted this Government and our Government in Scotland to go much further in cutting corporation tax and really building competitiveness. After seeing the sub-prime Budget performance today, the sooner the Scottish Parliament has corporation tax powers, the better.

4.55 pm

Sir Stuart Bell (Middlesbrough) (Lab): I am grateful for the opportunity to follow the hon. Member for Dundee, East (Stewart Hosie). It has been interesting to follow the debate from the beginning and see how many points have been made.

The hon. Member for Dundee, East spoke about the trade deficit. He was very keen on that subject and raised a point similar to that made by my hon. Friend the Member for Wolverhampton, North-East (Mr. Purchase) about the balance of payments deficit, as we used to call it. Let me explain one of the reasons why we have such a deficit. The last time I was in Scotland, in October last year, I bought a Christmas tree in Jedburgh. On the bottom of the tree it said "Made in China". There is the essence of the trade deficit. We are into high-technology goods and the world sends us its low-technology goods, so we have a trade deficit. It is counterbalanced, of course, by a surplus on services across the exchanges.

The hon. Member for Dundee, East said that there was no social policy in the Budget, but as the Chancellor made clear, the Budget is about a having a fair society, so that element is part and parcel of the Budget strategy. The hon. Gentleman also raised the question of a trust for revenues from the North sea. I have heard that story at least once a year for 30 years, and the Treasury has always made the point that the revenues coming from North sea oil go into Treasury funds and come out the other side by way of investments and all the rest of it.

The hon. Gentleman also mentioned the Barnett formula, which was also mentioned by my hon. Friend the Member for North-West Leicestershire (David Taylor), who will be pleased to know that Lord Barnett was with us today. He was upstairs, if I may say so—but I am not allowed to say that, so I did not say it; I withdraw it. None the less, Lord Barnett did follow our proceedings very carefully today, and I am sure that he will have been touched to know that his Barnett formula is alive and well, and with us still.

I congratulate the hon. Member for Dundee, East on his assimilation of the Red Book at such short notice. He also mentioned the private finance initiative. He will understand that it is now many years since the public sector could, on its own, handle the kind of investments that it needs. For example, when a hospital was built in my Middlesbrough constituency in 1997, it was the first PFI project. It was built with public and private money. That is the nature of the world we live in. I believe that about £59 billion is invested in our infrastructure through PFI, and there is no going back on that.

Sammy Wilson: While I do not think that any of us would question the use of PFI, the point that needs to be made is that when PFI schemes and the borrowing for Northern Rock are included, the levels of debt are actually much higher than are shown in the Red Book. That—rather than an attack on PFI schemes generally—is the important point that is being made.

Sir Stuart Bell: I understand the hon. Gentleman's point, but PFI schemes have always been off balance sheet. That was their great strength and benefit—an element we took from the German economy—and it was welcomed for many years. Now, all of a sudden, PFI schemes are not welcome—certainly not on the Opposition Benches, as Conservative Members like to throw at us the allegation that Northern Rock is a £100 billion off-balance-sheet contingency. If we look at it in the round, however, it is in the best interests of the nation. That is why we have PFI, and the type of public investment that gets me my Middlesbrough hospital.

The hon. Member for Dundee, East also mentioned corporation tax rates. It seems a long time since I listened to the Chancellor, but I believe I heard him say that the major corporation tax rate was being reduced.

Stewart Hosie: The corporation tax reduction was announced last year, and it will come into force, but it was accompanied by the comparable loss of a number allowances—including industrial buildings allowances, which cover hotels and the tourism sector—for which it did not compensate by any manner of means. There was a net take from business of around £5 billion. Yes, the headline corporation tax rate fell, but the small companies rate went, and the allowances were destroyed.

Sir Stuart Bell: I shall deal with the subject of small companies in a moment.

In his speech, the hon. Gentleman made a good point about inflation, which corresponded with a point made earlier by the right hon. Member for Fylde (Mr. Jack), who observed that it might be worth having a good look at the composition of inflation. The hon. Gentleman also mentioned business, and he has just mentioned it again in his intervention. The Chancellor spoke at some length about business, particularly small businesses. He spoke of opening competitive markets, and competitive corporation tax in a stable tax regime. The Government therefore fully understand what is involved in trying to help small and medium-sized enterprises. My right hon. Friend also said that he wanted to simplify their tax calculations and strengthen the concept of small firms' loan guarantees.

Mr. Mark Hoban (Fareham) (Con): The rate of corporation tax for small companies is to rise by a penny this year and a penny next year. Is this not the wrong time to be imposing extra taxes on small companies?

Sir Stuart Bell: That is an important point, which the hon. Gentleman may wish to make to the Financial Secretary when she sums up the debate. I was simply pointing out to the hon. Member for Dundee, East that the major corporation tax had been reduced in the Budget.

I am sorry that my hon. Friend the Member for Brent, North (Barry Gardiner) has left the Chamber. He made an interesting, erudite speech, although it was on the long side—longer than that of the Leader of the Opposition, to which he kindly referred. I am sure that many of the points he made will read very well in *Hansard*, and will be taken up by people in various Departments, who will examine them and see what they can make of them. He made some interesting points about the non-doms and the Pandora's box that might be opened. Back in 1974, tax changes in the United States gave rise to the Eurobond market in London, and I think that one should be careful when making what may appear to be small adjustments that will in fact have major consequences. That was one of the points that my hon. Friend made.

The right hon. Member for Hitchin and Harpenden (Mr. Lilley) has been present for most of the debate, and I am sorry that he is not here now. I shall not pursue the point about Chinese restaurants—I do not want any memories of China to feature in the debate—but he also spoke of Budgets past, and made a number of comparisons. He talked about Northern Rock, which is a fixation with the Conservatives. As my right hon. Friend the Member for West Dunbartonshire (John McFall) pointed out earlier, no guarantee has been called in, no investor has lost any money and no mortgage has been affected—

Mr. Mark Field: Not yet.

Sir Stuart Bell: And the business has been kept intact for the future. As for what the hon. Member for Cities of London and Westminster (Mr. Field) has just said from a sedentary position, it reinforces Labour Members' impression that the Conservatives would like the whole thing to crash—that they would like it all to go wrong. Of course, the impression that they wish to give may well not be the impression that they have themselves.

The right hon. Member for Hitchin and Harpenden also made the interesting, and true, observation that a Parliament cannot bind its successors. The Chancellor was not trying to bind a successor Parliament; he was simply saying that Labour would win the next general election, and that we would therefore have control of all the measures involved.

[Sir Stuart Bell]

What the right hon. Gentleman had in common with my hon. Friend the Member for Brent, North was the fact that he spoke for at least half an hour. He produced an erudite exposition of how life was in the 1960s and 1970s. He seemed to think that there was a relationship between the wars in Iraq and Afghanistan and the war in Vietnam. I must say that I do not see that, and I thought his exposition on the so-called sub-prime mortgage and its contagious effect was somewhat erroneous as well.

The right hon. Gentleman drew an analogy with being found to be without a swimming suit when the tide goes out. He might have given credit to Warren Buffett for that simile; it was not original. He also spoke of the gold reserves that the Chancellor sold some years ago, making much of the loss of value without taking account of the value of the investments that we made with the money from the sale. Were he to look at the return on the investments we made, he would see that the sale at that time was opportune.

My hon. Friend the Member for Wolverhampton, North-East (Mr. Purchase) made a fine and important speech on manufacturing. In our country there is an overemphasis on the housing market and less emphasis on our manufacturing industry. My hon. Friend will remember that when we were in opposition we asked for a Cabinet Minister for Trade and we wanted the emphasis to be on the industrial side of our economy. The Government have gone to some lengths to do that, but we have seen the service sector increase as a percentage of our economy to the detriment of manufacturing. Therefore, when there is some dysfunction in the financial markets, it spreads out into the whole of the country. If we were still creating goods and selling them abroad, it would bring fine value to our economy.

I am glad to see the hon. Member for Beckenham (Mrs. Lait) back in her place. She has followed the debate with great assiduity, if I may say so. She made some very important points and called the Budget, somewhat uncharitably, "boring". I was not here at the time, but that reminded me of the Budgets of Benjamin Disraeli, who would have two little carafes in front of him with clear liquid in them. No one knew whether it was gin in one and water in the other, but as the debate proceeded, they found out pretty quickly. Gladstone spoke for three hours in his Budgets, whereas today the Chancellor spoke for only an hour. Winston Churchill, who was Chancellor for five years, used to have a carafe in front of him filled with part whisky, part water. Perhaps those earlier Budgets were less boring.

The hon. Member for Beckenham made some important points about risk. If she reads the fine report of the Treasury Committee on all aspects of the credit crisis, she will find some fine definitions of risk. She said that we were on the cusp of a deep financial crisis, and referred to the financial difficulties of 1974. Those financial difficulties came about because of the decisions made by Anthony Barber on 17 December 1973. He destabilised our economy to such a point that the Prime Minister Ted Heath called an election for February, which he lost. He left the difficulties that he had created to a Labour Government to deal with.

Mrs. Lait: The hon. Gentleman's memory and mine clearly are at odds. My memory of what happened in 1974 is closer to the analysis made by my right hon. Friend the Member for Hitchin and Harpenden (Mr. Lilley). At that time I was trying to do some building works in a flat in Edinburgh, when the whole plaster allocation for Edinburgh was four tonnes for a year. At the same time, the whole of the wood supply for Scotland for a year went up in flames on a wharf in Glasgow. I would suggest to the hon. Gentleman that the 1974 collapse had considerably more to do with the shortage of commodities than with a Budget the previous year. The problem was far too deep.

Mr. Deputy Speaker: Order. In view of the dwindling amount of time, it might be better to come back up to date.

Sir Stuart Bell: All I could understand from what the hon. Lady said was that apparently the roof fell in at that time.

The right hon. Member for Fylde made some interesting points about inflation, and the high interest rates in this country. My answer is that if he wants lower interest rates we should join the euro; the interest rate for the eurozone is much lower. He talked about the cost of commodities in what is a global marketplace. That is one of the reasons why we are experiencing price inflation. The Leader of the Opposition said that it was running at 7 per cent. The price of wheat has gone up, and there is a shortage of wheat in the world.

We are living in a world marketplace—a global economy—so that is affecting our country, and creating price inflation here. Commodity prices are going up. The prices of gas and oil are increasing. That is having an impact on inflation. That is why it is to the Chancellor's credit that he put low inflation, growth and stability at the centre of today's Budget. Instructing the Bank of England to keep inflation at 2 per cent.—not 2.5 per cent.—shows that the Government have a firm determination to keep inflation down, to keep our growth rate steady if possible, and to maintain stability in our economy.

Interestingly, the right hon. Member for Fylde also mentioned Merrill Lynch. Because of the nature of the global marketplace, Merrill Lynch is being sued by Adelaide city council over bonds it sold to the council which included some sub-prime mortgage elements. He also mentioned BCCI—the Bank of Credit and Commerce International—but I will not go down the historical road, as you have told me not to, Mr. Deputy Speaker. However, the fact is that all the current perturbations in the financial markets are being dealt with by a pool of banks, which did not exist back then.

I accept that we have strayed somewhat from the subject of the Budget over the past three hours, and I intend now to return to some of its specific points. The former Chancellor—now the Prime Minister—has been criticised for his last Budget. All I remember about it is that he said that we would remove the 10 per cent. rate of income tax, which we will now do; instead of specifically targeting support on pensioners, families and low-income workers, we will move to a simpler two-rate system. Pensioners have been mentioned—for example, by the hon. Member for Dundee, East. We are raising the personal allowances for pensioners by

£1,180, taking the allowance for anyone over 65 to about £9,810 by 2011, and with a further increase to £10,000 for anyone over 75. That seems to me a reasonable record for the former Chancellor to have had as he moved on to become Prime Minister.

Early in the debate, much was said about our child poverty programme—for example, by my right hon. Friends the Members for West Dunbartonshire (John McFall) and for Oxford, East (Mr. Smith) and by the hon. Member for Dundee, East. The Budget will increase child benefit to £20 a week from April 2009. We will disregard child benefit in calculating income for housing and council tax benefit purposes from October 2009, and we will increase the child element of the child tax credit by £50 a year above indexation from April 2009. That is not a bad beginning for an attack on child poverty.

The essence of the Budget is stability, growth and low inflation. I am glad that the hon. Member for Beckenham is present, because she talked about the current crisis. The financial turbulence is linked with rising commodity prices. She also mentioned the financial move of the pool of £10 billion being made available through the Bank of England and the $200 billion coming from the United States, and she wondered whether it was printed money. It is not printed money; it is a circulation of money. That is a difficult concept to explain, but it is not about money being printed.

When the Bank of England got its act together on 12 December—when it allied itself with the Bank of Canada, the European Central Bank and the Swiss National Bank, and expanded the total amount of reserves offered at three-month maturity against a wider range of collateral—it laid the foundations for maintaining stability in the financial markets. That stability is the cushion on which the rest of our economy will grow. Our growth rates will fall to about 1.25 per cent. but we will not fall into a recession. We will not talk ourselves into a recession, either. We will support the Budget with its emphasis on stability, low inflation and growth, and we will steer our way through the difficulties in the financial markets. That is why I congratulate the Chancellor on his Budget. I wish him well—as will the rest of the House, if it has any sense.

Several hon. Members *rose—*

Mr. Deputy Speaker: Order. The current average length of Back-Bench speeches is 22 to 23 minutes. We have until 7 o'clock. If all Members who are patiently waiting to speak today wish to achieve that ambition, from now on speeches should be a little shorter.

5.14 pm

Mr. Graham Brady (Altrincham and Sale, West) (Con): I shall certainly be brief and seek to direct my remarks to the Budget, Mr. Deputy Speaker.

I was not able to speak yesterday or in previous debates on the EU treaty, so I thought I would start with the Budget proposals on European expenditure. Such things often escape our attention when they should not. It is worth pointing out that in these straitened economic times and in a Budget where, as the Leader of the Opposition pointed out, the Chancellor has little room for manoeuvre, table C9 in the Red Book sets out clearly the steady increase in the net transfers of money from the British taxpayer to EC institutions. Such transfers will have risen from £4.7 billion in 2006-07 to £6.7 billion in 2010-11. The increases are even higher if one takes as one's figures the net contributions to the EC budget, which are given in a footnote to that table. All hon. Members have seen us give yet more powers to the European Union—or seek to do so—through the Lisbon treaty, so it is important that we are aware of the consequences for our constituents, some of which are shown in the Red Book.

This is the first day of these debates, and I am sure that my right hon. and hon. Friends will have an opportunity to examine the real substance of the Budget in much more detail. The Chancellor's statement gave almost nothing away. The Budgets of the previous Chancellor, who is now Prime Minister, were always a kind of snowstorm—figures and statistics were showered over the Chamber leaving us all snow-blind and none the wiser. This Chancellor took a completely different approach, making his remarks for 53 minutes or so without providing any detail. It leaves us trawling through the books and statistics to find some indication of the facts and of the implications of economic policy

Let us examine what the Government are doing in taxation; the current receipts are set out in table C6 of the Red Book. It appears that some pretty significant increases in taxation are being made: income tax gross of tax credits will increase over two years from £147.8 billion in 2006-07 to some £160.2 billion in 2008-09—an 8 per cent. rise or thereabouts; VAT receipts will increase by £6.4 billion; capital gains tax receipts will increase by £1.2 billion; business rates will increase by £2.7 billion; and council tax receipts will increase by £2.7 billion.

Total current receipts will rise over that two-year period from just under £520 billion to £575 billion, an increase of about 10 per cent. One could say that receipts will increase by roughly 5 per cent. each year. If one accepts the Government's projections of growth at about 2 per cent., and if we accept that inflation will be about 2 per cent., that leaves us with an increase of about 1 per cent. each year attributable to fiscal drag and the general increase in the tax burden. As people have more time to study these things they will perhaps arrive at a clearer and more detailed picture, but those basic facts about the Budget were simply avoided by the Chancellor. For that reason, we were given no real indication of the overall effect of the Budget.

I want to touch briefly on one or two specific items in the Budget. I had a brief exchange earlier with the hon. Member for Brent, North (Barry Gardiner) about the air movement tax. As with other taxes, we have to ask ourselves what the purpose of it is and what benefit it is intended to achieve. The principal purpose is obviously to raise revenue, but in this instance the stated objective is also to achieve an environmental benefit. The basic logic is that there will be greater benefit if we incentivise airlines to fly their aircraft full, by charging for aircraft movement rather than individual passengers. However, I am concerned that there appears to be no recognition of the degree to which different types of aircraft generate different amounts of pollution. If we are honest about wanting to incentivise better environmental performance, we should try to reflect that consideration.

[Mr. Graham Brady]

Before the air movement tax is introduced, we also need to know what the Government propose to do to mitigate the potential effect on the air freight industry, about which I had an exchange at the latest Treasury questions with the Exchequer Secretary, who is in her place. She accepted the need to look into that and see what can be done. Air freight is a mobile and competitive industry, and there will be no environmental benefit at all if we simply divert air freight from UK airports to those in the near continent, from where it is transhipped by road to the UK.

We must also consider carefully the impact of the new tax on the establishment of new routes from regional airports. Obviously, I am particularly concerned about routes from Manchester airport. The tax on aircraft movements could disincentivise the establishment of new routes, particularly long-haul routes, which would damage the regional economy.

The hon. Member for Dundee, East (Stewart Hosie), mentioned road fuel duty. It is welcome that the increase has been deferred, but the purpose of the Government's policy is still not clear. There is a massive disparity between road fuel duty rates in the UK and in some other countries. The hon. Member for East Antrim (Sammy Wilson) mentioned concerns in Ulster about the position across the border, with the Republic of Ireland charging about half the rate of fuel duty that we charge in the UK, which creates significant problems.

There are also serious problems for road hauliers in England. We see many foreign hauliers on our motorways, operating from all sorts of places around the EU, including Lithuania, where I think the duty is 16.5p a litre, compared with 50.9p in the UK. Again, we must ask what is being achieved by that huge disparity. Are we simply diverting investment and trade to our competitors in other EU countries, or are we achieving anything environmentally or for the UK? We must consider that carefully.

There are to be changes to capital gains tax. Much as I welcome the principle of simplifying the tax, the Chancellor has mishandled the matter woefully in recent months. We need to see details of how the reliefs in the new tax regime will operate. It is unfortunate that the Financial Secretary is not in her place, because I wanted to establish whether I have achieved a minor victory on behalf of a constituent who sold his IT business before the pre-Budget report in exchange for a small shareholding of 1.5 per cent. in a much bigger company, but is locked in and prevented from disposing of it until after the start of the new tax year. I am sure that many people are in comparable positions, so it would be interesting to hear more about the transitional provisions that are referred to in paragraph 6 on page 118 of the Budget notes. I hope that, as is stated, the transitional relief will address such concerns by applying to

"circumstances where gains that have been deferred from disposals made on or before 5 April 2008 become chargeable after that date."

I hope to hear confirmation from the Treasury that that is a response to the concerns that I raised.

In this Budget, it is difficult to establish what the genuine big picture is. In his statement, the Chancellor used the words "stability" and "stable" 23 times, yet most of the indicators suggest that the last thing we have at the moment is genuine stability. We are faced with the global difficulties caused by the credit crunch, which have led to significant drops in business confidence across the country. Against that backdrop, the Chancellor wants us to accept not only that the problem is of course a global one, not caused by British Government policy, but that the appropriate response is to carry on more or less as we have been, with relatively little change and only a modest shift in the balance of tax and expenditure. As my right hon. Friend the Leader of the Opposition said, that is because the Chancellor's room for manoeuvre is absurdly limited. Spending, taxes and borrowing have been driven up to levels that are simply unsustainable.

I want to ensure that there is plenty of time for others to speak—*[Interruption.]* I have considerable support from my hon. Friend the Member for Ribble Valley (Mr. Evans) for that, if for nothing else. However, we have to ask what levers of policy are available. The Bank of England is now responsible for monetary policy, of course, but, as people well know, it is held in a vice: the Bank is trying to balance the need to provide some degree of stimulus for the economy against growing concerns about inflationary pressures.

Normally—historically—we would consider the effect and operation of fiscal policy, but the Government seem to have abandoned that as a lever of policy. The United States has responded with a massive fiscal stimulus to its economy. That may not be appropriate here, but what is really telling is that the Government do not have the freedom even to contemplate such an approach. If it is appropriate to create a little slack in the economy by reducing the fiscal burden, such measures are not found in the Budget, which seems to reflect a degree of tightening, and would require fairly dramatic shifts of policy.

A degree of consensus is gathering on what the Government are now doing to restrain public expenditure growth quite firmly. They are trying over a period of years to regain the control and flexibility that they have abandoned. That objective is shared not only by the Conservatives, but increasingly by outside observers, including business organisations such as the Institute of Directors, which has been pressing for a more sustainable long-term approach in which public expenditure growth is much reduced. That is probably the responsible thing to do now. It is a pity that, as far as we can tell from the Budget announced today, we are instead to see an increase in taxation, and there is little prospect of significant change to that approach in the coming years.

5.28 pm

Stephen Hesford (Wirral, West) (Lab): It is a pleasure to follow the hon. Member for Altrincham and Sale, West (Mr. Brady), who was my MP for about 18 months when we first entered the House. It was interesting to watch him work in the local patch.

It seems a long time since the debate kicked off. The Budget generates considerable brouhaha; there is a circus-comes-to-town aspect to it. Many commentators make suggestions and projections, but time and again most of those who do not agree with the projections in the Budget report turn out to be wrong. That brings to mind the response that the right hon. Member for Witney (Mr. Cameron) made to the Budget. At one point, he misled the House to this extent: he said that the—

Mr. Deputy Speaker: Order. No right hon. or hon. Member would do what the hon. Gentleman implies. I suggest that he withdraw that remark.

Stephen Hesford: Perhaps the right hon. Member for Witney misled the House unintentionally in this respect: he said that my right hon. Friend the Chancellor was the worst Chancellor in recent memory. I beg to disagree. The right hon. Member for Witney was special adviser to Norman Lamont; that is the embarrassment that he was trying to cover up with his smokescreen.

The right hon. Gentleman made another criticism with which I strongly disagree, and it is one that Opposition Members have repeated. They say that in the past 10 years the Government have not fixed the roof while the sun shone—that is the phrase that they used. That is just a misconception about what has been going on. I will give one example showing why they are wrong about that.

I remember when the third generation mobile phone licences were up for auction. The previous Chancellor raised about £30 billion from the sale. What did he do with most of that money? He paid off debt and reduced the public debt. That seems the perfect definition of fixing the roof while the sun shines, so the right hon. Member for Witney was absolutely wrong on that point. That action is one of the reasons why more public finances now go to the front line, rather than being spent on paying debt, which is what used to happen. Under the Conservative Administration, the public finances paid off failure.

Mr. Mark Field: The hon. Gentleman would be guilty of inadvertently misleading the House, too, if he did not point out that genegal Government net borrowing is now forecast to be 3.2 per cent. of gross domestic product for the year 2008-09, which exceeds the 3 per cent. Maastricht limit for the very first time. It is in that context that my right hon. Friend the Member for Witney (Mr. Cameron) made the case that while the sun was shining the roof was not fixed. We will all see the consequences of that in the years to come.

Stephen Hesford: I do not accept the hon. Gentleman's figure; I understand it to be 2.9 per cent. However, let us not quibble about the figures; let us take a look at where we are with debt. The debt position is low and stable. It is settling down below the 40 per cent. target rate, which is in line with the sustainable investment rule. It seems that we have a strong case on the debt position, contrary to what the right hon. Member for Witney said. Under the Conservative Administration, between 1992 and 1997, while the right hon. Gentleman was assisting—if that is the right word—Norman Lamont, 1,000 businesses were going out of business every week. That position has been reversed.

The right hon. Member for Hitchin and Harpenden (Mr. Lilley), partly prompted by my intervention, asked the following pertinent question: how can we be sure that the UK economy is in a position to withstand the buffeting of the so-called credit crunch? That is the point that I want to address. Professor Patrick Minford, a commentator not known as a supporter of the Government, stated last week in the financial press that whatever else one can say about the Government's handling of the British economy, they have produced the most stable, robust economy in living memory. That will determine whether we can weather the storms. It must be accepted by the House that we have a robust economy going forward. Yes, the growth forecast has had to be reduced, for reasons that are well known to the House, but the economy will certainly not go into recession, unlike the USA economy, which appears to be moving in that direction.

What else did the Prime Minister, when he was Chancellor, lock into the economy that has been continued in today's Budget? The context for the Budget is a globalised economy. No one has a crystal ball, and the sub-prime problems from the United States could not have been foreseen, but over the past 10 years the Prime Minister tried to build an economy that could withstand the globalisation of manufacturing, financial services and so on, so that when there is a shift in global economic power from traditional areas such as Europe to India and China, our economy can compete on a level playing field.

Another aspect that my right hon. Friend the Prime Minister locked into our economy was the absence of economic patriotism. We should not be little Englanders about the economy. My right hon. Friend the Chancellor made it clear today that there should always be an open market and free trade. I welcome that. Without an open market and free trade in the globalised economy, we would have the sort of spat that President Sarkozy has in France. He wants to introduce reforms into the job market and other aspects of the economy, but there is a debate in France about whether there should be economic patriotism and it causes him problems.

All of us in the House have watched the Democrat primaries in the USA with interest. The two main contenders have got themselves into a mess by talking about the North American Free Trade Agreement between Canada, Mexico and the USA, and whether they can lessen or get rid of it and repatriate jobs to rust belt areas such as Ohio. One of the parties was allegedly saying one thing to one Government and another to the public. My right hon. Friend the Chancellor has made it absolutely clear—and is right to do so—that we will not have such discussions.

My right hon. Friend has also locked into our economy investment in industries that take us into the future. The science base has been supported by a number of Budgets over the years, and the Sainsbury review has been set up to examine and report on it. Capital investment in infrastructure has been one of the areas for which my right hon. Friend the Prime Minister set targets, which my right hon. Friend the Chancellor has continued today. I have seen how the west coast main line, which I use regularly, has improved over the past 10 years.

Mr. Stewart Jackson (Peterborough) (Con): That is due to privatisation.

Stephen Hesford: From a sedentary position, the hon. Gentleman mentioned privatisation. Does he want to intervene?

Mr. Jackson *indicated dissent.*

Stephen Hesford: No, he does not.

[Stephen Hesford]

I have mentioned investment in infrastructure, but I also want to mention investment in the creative industries—supporting those industries, which will be an engine of economic advance. I should like to be slightly parochial about the issue for a second. There has been a cultural success in my area. Liverpool is the European capital of culture this year, and we can see the transformative effect of that in my sub-region in Merseyside. My right hon. Friend the Prime Minister has sought to make that writ large across the country.

Education services are another issue in respect of the economy. A small example of that is attracting overseas students to our higher education base; that is a significant form of foreign investment in this country. My right hon. Friend has always said that we should invest in talent; that is locked into our approach to the economy and has been made clearer in today's Budget. Our target is to get 50 per cent. of the 18 to 30 age cohort into higher education, although there are divisions on that in the House, which saddens me. We need to equip our young people with a high degree of skill to compete in the global economy. At a different level, the Leitch review has discussed apprenticeships. The Government have made it clear that we are looking to bring in 250,000 more apprenticeships in the coming months and years.

Investment in the environmental field and international development has been touched on today. I should like briefly to say something about the latter issue. Increasingly, India is an economic powerhouse. For many years, thanks to the Department for International Development, it has been our biggest partner in respect of overseas aid, and that is one of the reasons why for many years, the Indian economy—particularly in rural areas—has had access to water, roads and education. In a reciprocal way, we have applied a "good neighbour" principle. When the urban Indian economy comes forward, we will be in a good position to set up trade with what will be a tiger economy.

Finally, although we have a good and sound economy going forward, how can children and families look forward to the future in uncertain times? First, there is job growth—there are 2 million more people in jobs than there were in 1997. There is record employment; more people are now in employment than ever before. That is another reason why we are in a good position to withstand the buffeting. All that contrasts with the £10 billion in cuts suggested by the Conservative party. If we are talking about bringing stability into the situation, we should realise that those cuts would destabilise the economy and put those children and families at risk.

Mr. Mark Field: That allegation of £10 billion in cuts is every bit as fatuous as that made by the hon. Member for Dundee, East (Stewart Hosie). He said that if there were a change in the Barnett formula, there would be cuts in schools, hospitals and policemen. He was shouted down by Labour Members. It is fatuous nonsense to suggest that there would be any cuts whatever.

Stephen Hesford: The hon. Gentleman has made his point, but I do not agree with it. I welcome the Budget.

5.44 pm

John Thurso (Caithness, Sutherland and Easter Ross) (LD): The hon. Member for Brent, North (Barry Gardiner) drew me to my feet with his full and erudite exposition of the Ramsar convention. I should state to the House, for good order, my proprietary interest in the bog mentioned. *[Interruption.]* I own it, yes. He also said that I was shameless in raising a constituency interest. I have no shame whatsoever in doing so, and I intend to raise four matters that have an impact on my constituents, as well as a brief point about the Budget as a whole.

The Chancellor of the Exchequer came to his current job with a reputation as a safe pair of hands; time will tell whether they are safe enough to accept the hospital pass that he has received from his predecessor. The critical test of the Budget will relate to financial stability and whether our economy will survive. The right hon. Member for Hitchin and Harpenden (Mr. Lilley) made some interesting points, many of which I agree with. For the second time this week, he told us about the tide and the bathing trunks. I could tell him from personal experience that if the bathing trunks are loose enough and the tide is strong enough, the tide can take the bathing trunks. He said that the way in which the banks have sought to package and sell unsecured debt is not a factor in the problems that we now face. I disagree—I think that their use of extreme financial technology has been a major factor in those problems.

One of the key tools that will see us through is the independence of the Bank of England. I welcome the fact that, for the first time in its history, the Bank is independent at a time when the economy is being tested. Particularly in the light of the studies of lessons learned from the Federal Reserve and the European Central Bank, there is room to look again at whether the Bank should have the sole objective of curtailing inflation, as currently, or a mixed objective combining inflation and employment.

The first of my four points of particular concern to my constituents relates to transport. I was glad that the Chancellor, with his particular knowledge of transport issues, brought that up in his Budget statement. I have no particular problem with the concept of using vehicle excise duty to encourage people into vehicles that are less polluting; in fact, I rather support it. Indeed, my colleagues and I tabled an amendment to that effect this time last year. However, I still have grave concerns about the cost of fuel to people who live in remote and rural areas. The hon. Member for Beckenham (Mrs. Lait) mentioned a fuel price in her area of 106p or thereabouts. I can take her to a petrol station in my part of the world where it is 126p and rising. That big premium is the main problem. The hon. Member for Brent, North made several points about the principles behind taxation, including the concept of fairness. In seeking to change behaviour, one of the key points about fairness is that there is somewhere for that behavioural change to go. If someone in the far north of Scotland has a car, that is the only way that they will get around. There is never going to be a bus service in the middle of Sutherland. We need a system that is fair. The long-term answer, which the Chancellor brought up in his statement, is road pricing. We should look to make progress on that

policy, and I hope that he will. However, we need an interim measure to deal with that premium that exists in remote rural areas.

My second point is one that was brought home to me forcefully by one of my constituents who is a pensioner. Typically, many pensioners have a modest occupational pension to supplement their state pension, and they own a house and a car, but they have a pretty fixed income. They have suffered from inflation in council tax, the price of fuel and other areas, but particularly fuel. My constituent said that when the winter fuel allowance began, it paid for an entire winter's supply of fuel for his house. Prior to today's announcement, it accounted for exactly half; his bills have precisely doubled in that time.

I welcome the £50 and £100 increases to the payments; I note that they are one-off payments, and I hope that that policy will be revisited. But that will not go more than a quarter of the way to redress the balance of the impact on bills since the winter fuel payment was first brought in. We must consider further the issue of fuel poverty, to which a number of hon. Members have referred. The final point that my constituent made to me was that on top of everything, his 10p rate of tax has doubled. He is paying more tax, he has higher bills and he has nowhere to go. We must take account of people who have such problems.

My third point is on renewable energy. I am an ardent and well-known supporter of all forms of energy that have a low-carbon life-cycle and can help to reduce our carbon emissions. One example is the renewable energy that can be supplied from the Pentland firth—scientists who have studied it tell me that it could supply 31 GW. The core barrier is the transmission regime. If the Chancellor would really like to help, then on top of the renewables obligation certificates that are available, perhaps something could be done to make the grid more accessible for renewable energy produced in outlying areas. Having produced renewable energy, it would be helpful if we could get it to market.

My fourth point—I cannot let the Budget go by without commenting on it—concerns, of course, whisky. Here I must declare an interest. Most of my interests are in the register, but one that is not is that I am about to become grand master of the Keepers of the Quaich, which is an organisation designed to celebrate and promote whisky. I have no problem with putting tax on alcohol as a method of raising money, and given the cracks in the Budget, I see why the Chancellor would need to raise money from that source, just as he raises it from vehicles, cigarettes or elsewhere. I have difficulty, however, with the concept of linking the need to raise money with social consequences.

The social consequences of binge drinking are an extremely complex area. Some good organisations, such as Alcohol in Moderation, are working in this area, and I counsel all parties to be careful about pretending that a modest tax hike will have any great social benefit. Other methods could be used, and should be studied.

Mrs. Lait: While the hon. Gentleman is on the subject of the difficulties of increasing taxation, I wonder whether, given his interest in the whisky industry, he has been able to do a back-of-an-envelope calculation on what the impact will be on the smuggling of whisky, spirits and alcohol. That might undercut what the Chancellor is trying to achieve through the duty increase.

John Thurso: As I am trying my level best to give up the weed, I do not have a fag packet on me, so I have been unable to do any calculations, but the hon. Lady makes a valid point, which needs to be taken into account.

I make one piece of special pleading on behalf of the industry. It has been remarkably successful at exporting overseas—indeed, more than 75 per cent. of Scotch is sold overseas. Small distilleries are being brought back into production or newly created. I happen to know about one in Huntly. It would be a shame if that production was put in jeopardy by tax rises that had knock-on consequences in other jurisdictions.

The Budget can be characterised as small areas of pain with large doses of Mogadon. We will have to wait and see whether it will do the job that we, as a nation, need to preserve financial stability, but I sincerely hope that it does.

5.55 pm

Rob Marris (Wolverhampton, South-West) (Lab): The Budget takes place in difficult circumstances, given what has gone on in the world. I shall not repeat what has been said and, unusually for me, but because of time constraints and many preceding lengthy speeches, I will take no interventions.

We all know about the turbulence in the world economy, affecting banking, fuel, especially the price of oil, the price of food—for example, the price of wheat has increased by 118 per cent. in the past year—and commodity prices, which have increased hugely, driven especially by demand from countries such as China and India. That is the difficult background to the Budget. The Chancellor has done a good job, in a steady-as-she-goes Budget, in trying to act positively in the face of the challenges of globalisation and economic turbulence in the world.

The Budget was also announced against the backdrop of the Government's other policies to cope with the challenges of globalisation, such as the Leitch review of skills and the Sainsbury review of science to enable us to foster innovation here. The Government have also taken positive steps to protect intellectual property rights in this country, in the European Union under the treaty of Lisbon, and internationally. They have also increased spending on the NHS in recent years. A company such as General Motors is nearly bankrupt through the health payments that it has to make to its retired workers as well as its current work force because the USA does not have a national health system. Spending taxpayers' money on the NHS is, therefore, good for the economy. It is an investment, which helps business. Similarly, the Government have invested in education to increase skills.

I did not notice any measures on research and development in the Budget, and I wonder whether the Government have conducted any research on the effect of the tax breaks that they have introduced in recent years on research and development. I did not notice any measures on manufacturing, which is especially concerning for me, as a west midlands Member of Parliament. My hon. Friend the Member for Wolverhampton, North-East (Mr. Purchase) spoke about that. I intervened on my right hon. Friend the Member for West Dunbartonshire (John McFall) about insider trading because I believe

[Rob Marris]

that the Government need to do much more about that, and make the FSA and the Serious Fraud Office get their act together.

On a parochial matter, before I move on to some sniping, the headquarters of Marston's brewery, one of the major brewers in the country, is based in my constituency. The site of the third largest pub chain in the UK, run by Marston's, is also there. I am therefore disappointed about the differentials on alcohol duties in the Budget. I am especially disappointed that not only has beer duty increased by 4p a pint, but the duty on a litre of still cider has increased by only 3p. Still cider, bought cheaply from off-licences, causes problems with drunkenness in my constituency and, I suspect, many others. It is unfortunate that the Budget has increased the price of beer through excise duties much more than that of cider, which poses a greater problem.

Let me consider the speech of the Liberal Democrat leader, the right hon. Member for Sheffield, Hallam (Mr. Clegg). What a vacuous response to the Budget. He presented almost no policies. He proposed a green tax con, which we have discussed previously in the House when considering green taxes that are revenue-neutral. The problem with green taxes is changing behaviour. If the behaviour changes, one cannot have a revenue-neutral tax unless one increases other taxes or ratchets up the green taxes. Neither of those options is desirable.

The right hon. Member for Sheffield, Hallam also tried to steal the amendment that I, not the Liberal Democrats, was the first in the House to bring forward, to increase massively the vehicle excise duty on the most polluting cars. In case the 4x4 fraternity get on to me, I have repeatedly said in the House that nine of the top 10 most polluting vehicles sold in the United Kingdom are not 4x4s, but cars such as Bentleys, Maseratis and Lamborghinis. The first-time duty of £950 on the most polluting vehicles in the Budget is a step forward, but I wish that the Chancellor had gone much further, by doubling that rate and imposing an annual rate, which would change behaviour, because the second-hand value of those vehicles would plummet. That is where we will hit the market.

The right hon. Gentleman seemed to have no understanding of non-dom taxation, which caused great hilarity in the House, and talked about poor non-doms. I am in favour of helping poor non-doms, through the Gangmasters (Licensing) Act 2004 and so on, but that is not the group that we mean when we talk about the taxation of non-domiciles. We are talking about the rich, not the poor non-doms, who will not make so much money that they will have to pay the £30,000 levy or whatever it is. The right hon. Gentleman completely misunderstood that.

Things got worse with the Conservatives. It is like "Groundhog Day" with them. I have sat through seven Budget debates and the Conservative party is like a clock that has stopped: every 24 hours it is right twice. I concede the possibility that the Conservatives might be right this year, with the doom and gloom that we hear from them every year. However, they have not been right for the past 11 years, and the betting is that they will not be right this year. If the Conservatives are right, it will only be because the 12 hours have come round and, with their doom and gloom, the clock is briefly showing the right time again.

As for the Conservative party's spending policies as an alternative to the Budget, the hon. Member for Cities of London and Westminster (Mr. Field) asked about the £10.5 billion spending spree. I can give him some figures on that: cutting the corporation tax rate to 27 per cent. will cost £1.75 billion; the transferable marriage tax allowance will cost £3.2 billion; the increase in the working tax credit will cost £3 billion; the increase in the inheritance tax threshold to £1 million will cost £2 billion; and raising the stamp duty threshold for first-time buyers will cost £400 million.

On top of that, we have heard all kinds of wonderful commitments: more funding for the armed forces; more anti-MRSA funding; additional drugs for thousands of stroke patients; high-speed rail pilot schemes; billions of pounds more for the NHS, according to the shadow NHS spokesman, the hon. Member for South Cambridgeshire (Mr. Lansley); the national school leaver's programme that is so beloved of the right hon. Member for Witney (Mr. Cameron); his demand for a larger Army; and extensions to light rail. All those are worthy, but what did he say about raising taxes in his speech on the Budget? He talked about raising taxes on binge drinking.

Raising taxes on binge drinking might be worth while, but if it works, it will be like green taxes—it will be revenue-neutral, because people will drink less. That was the right hon. Gentleman's only tax-raising measure to pay for the long shopping list that I have read out, which will cost considerably more than £10 billion. Binge drinking taxes alone is not a good way to go. On sharing the proceeds of growth, the right hon. Gentleman talked about cutting capital gains tax, taxes on family businesses and corporation taxes, saving loads of post offices and every maternity hospital in the country, and more spending commitments. That is an even bigger black hole when all he is doing is putting up binge drinking taxes.

So what is the right hon. Gentleman going to do? He is going to borrow loads of money. What is the form for that? The form is the previous Conservative Government, who doubled the national debt. They did not want to put up taxes, but they had to get the money from somewhere, because they did not have the guts to cut the programmes—thank goodness for the working class in the United Kingdom—so they borrowed the money and left us to take over, with a big financial hangover. Despite what the Conservatives say, the Government have paid off quite a lot of that debt. National debt is now far lower as a proportion of GDP than when we took over in 1997. The Conservatives are going nowhere.

The other idea that the right hon. Gentleman put forward was that green taxes should go into a family fund. Again, that is the kind of revenue-neutral nonsense that we heard from the Liberal Democrats. The proposal will not work, because although it is very desirable if people or companies change their behaviour and stop acting in such a polluting way, the tax take will drop. If we had green taxes going into a family fund, as the right hon. Gentleman suggested, that would do nothing and be just another tax rise.

Both Opposition parties have put forward vacuous policies, if policies at all, and wild, unfunded spending commitments. It will not do. At least the Chancellor has put forward a considered package in difficult economic times, which I think will work.

6.5 pm

Mr. Nigel Evans (Ribble Valley) (Con): I should like to declare an interest, in that I am the owner of a small retail convenience store in Swansea, and something that I say in the 10 minutes to which I shall restrict myself might relate to that. In the spirit of the greenness that we all talk about these days, I am also thinking about doing a carbon offset on this speech. I shall read it tomorrow, and I shall offset anything that I feel has not added to the day—if the Chancellor will do the same. If he did that we would be quids in, because his was possibly one of the most boring Budget speeches that I have heard in my 16 years as a Member of Parliament. I was waiting for the big idea, and I still am. I know that we are not allowed refreshments in the Chamber, but there is an exception, in that the Chancellor is traditionally allowed a sip of whisky while he makes his Budget speech. If the right hon. Gentleman is still Chancellor at the time of the next Budget, perhaps everyone in the Chamber might be allowed a double espresso to keep them awake. His speech sounded to me much as the shipping forecast would sound to a lettuce picker in Mexico; it was that dire.

I hope that over the course of this week's debates, Treasury Ministers will talk about the inflation rate. The 2 per cent. rate is mentioned time and again, and the Chancellor referred to it today. It is not an inflation rate that I recognise. That is not simply because of petrol prices or agricultural prices going through the roof. It is also to do with council tax, and the Government have even imposed an increase in prescription charges that is greater than 2 per cent. Everyone knows that the real inflation rate is much higher than 2 per cent. Stating that it is not might allow the Chancellor to ensure that public sector salary increases—and pension increases—are kept low, but we all know that it is much higher.

We also heard a lot about things that will happen in 2010, 2012, 2015 or even 2020. Well, most of my mates—although perhaps not all of them—live in 2008, and that is what we want the Budget to be about. We want to know what is happening now, not 20 or 30 years in the future.

Mr. David Evennett (Bexleyheath and Crayford) (Con): My hon. Friend is making his usual robust and impressive contribution. Does he agree that this is a bad news Budget that will increase the tax bill for all the families in my constituency and across Britain? Other countries are cutting taxes, but this Government continue to increase them.

Mr. Evans: I agree with my hon. Friend; that is exactly what is happening. It has been estimated that the tax take for families will increase by about £110.

We have learned enough from past Budgets to know that we need to read through all the details. I have here all the details that we are supposed to look through to find out exactly what is happening. For future Budgets, if we are going to be green, perhaps we could reduce the amount of garbage that we have to pick up from the Vote Office. We could put most of it on the internet. We need only the small section that shows us the increases and decreases; we could go to the net for all the other changes.

My hon. Friend's point about tax increases is absolutely right. Tax freedom day is the day of the year on which we finally start earning money for ourselves, and it is now 1 June. Only after that date can we start to earn money for ourselves. We have to work for the Government from 1 January to 1 June. That period has increased by a whole week over the past four years. We now have to work a whole week longer for the Government instead of earning money for ourselves. Given the sensibilities and constraints within which a future Conservative Government will have to operate—we shall obviously have to clear up the mess left by this Government—I hope that when we can, we shall roll back tax freedom day so that people can earn more money for themselves and spend it on whatever they think is in the best interests of themselves and their families.

The hon. Member for Wolverhampton, South-West (Rob Marris) mentioned brewing, and I shall do the same, as I am the vice-chairman of the all-party parliamentary group on beer. Some rubbish has been talked today. The hon. Member for Caithness, Sutherland and Easter Ross (John Thurso) was absolutely right to say that the increases are being dressed up as measures to tackle binge drinking. When we see where they are targeted, we realise that they will not help to tackle binge drinking at all. There was no mention in the Budget of strong cider or of alcopops. The 4p increase on beer will not do anything to dissuade binge drinkers. I suspect that most of the problem is not caused by beer in any event. Other alcohols are at the root of the problem.

In its representation to the Government before the budget, the British Beer and Pub Association said:

"The current closure rate"

of pubs

"is seven times faster than in 2006 and 14 times faster than in 2005."

Last year, 1,489 pubs closed. The pub closure rate is now accelerating towards 30 a week. I am sure that we will all know of pubs in our constituencies—rural or urban—that have closed with no chance of reopening. Pubs are part of the social fabric of our society, particularly in villages where there is only one pub. In one village in my constituency, the pub is closed and we are waiting to see whether it will reopen. There are real problems, and the increase announced today will only accelerate the pub closures in this country. That will mean not only job losses but damage to the fabric of society. Pubs are a place where people meet and talk—they are a great British tradition, for goodness' sake—and we do not want to lose them.

Pubs are, of course, places where people drink communally. Part of the problem with binge drinking is that people can go into supermarkets, pick up cans of strong lager or whatever else and drink not in a licensed and supervised area but in the streets, at home or in other places. If the Government want to tackle the problem of binge drinking, they must do it in a far more targeted way than they have. This measure is everything to do with revenue raising, but it has been dressed up as an attack on binge drinking. The Government are wide of the mark, and will have to think again.

Mr. Russell Brown: Will the hon. Gentleman give way?

Mr. Evans: No, I shall not, because I have only four minutes left.

I was with the chief executive of the Taxpayers Alliance, Matthew Elliot, last night. He is a tremendous guy who is doing an awful lot to expose how taxpayers' money is wasted. Part of the problem is that we have seen a huge increase in stealth taxes over the past 10 or 11 years, and this Budget will be no different.

I want a future Government—even this Government, if they are brave enough—to ensure that on every product on which tax is paid, that tax is made visible and transparent so that people know when they buy a pint of beer that 73p of the price goes on taxation, or when they buy a litre of petrol that three quarters of the price is taxation. That would mean that people knew know exactly how much they were paying in stealth taxes. If people knew the level to which they pay taxes, they would think long and hard about how much money is raised from them and their families, and would take more care about how that money was spent.

I have one more plea for a future Budget, which is about youngsters who go to school and have a badged uniform. Such uniforms are exempt from VAT only for sizes up to the age of 13. We know that another problem in this country is obesity and that some youngsters tend to be larger than others. Perhaps the Government could consider the problem of VAT charged to those who are large for their age, particularly as they have raised the school leaving age to 18. The VAT for those who go to institutions with badged uniforms should at least be reduced to 5 per cent. That would cost only £4 million. The Government love to make big announcements that do not cost much money; this is perfect for them, and would help many families throughout the UK afford to buy badged uniforms for the schools that their children go to without being ripped off by VAT.

6.14 pm

Mr. David Kidney (Stafford) (Lab): "Congratulations, Mr. Chancellor, I am pleased to tell you that you have passed your test and can now throw away the L-plates." It was a test taken in very difficult conditions, with storm clouds overhead, inconsiderate drivers ahead and traffic lights changing against the Chancellor all the way. To put it another way, this was a Budget drawn up in the very difficult international circumstances, following the collapse of the housing market in America, of a global credit crunch. We have recently heard that America is now probably in recession, so around the world people are downgrading their estimates for growth in their own countries, hoping that the old saying "When America sneezes, the rest of the world catches a cold" is no longer true. I hope so, too.

This was always going to be a difficult Budget for the Chancellor to be able to use to say something of interest to us. With such limited room for manoeuvre, I was interested to see what his priorities for making change would be. I was pleased to hear at the beginning of his Budget speech that the values guiding his choice of priorities were fairness and opportunity. Those are my values and, I believe, the values of the Labour party. When I made my own Budget representations before today, with those values in mind, I kept my requests to two: would the Chancellor help pensioners in poverty, and children in poverty? I am pleased to see that those priorities emerged today.

The increase in the winter fuel allowance for pensioners will help. I hear what people say about the fact that it was announced as a one-off payment, but if people want to join a campaign to get it incorporated into the winter fuel allowance for future years, I would be glad to be at the head of such a campaign, and to seek further increases in the future. This is a Labour Government, and although it is relatively late to do it, they are going to restore the link between increases in pensions and earnings. Again, if people want to join a campaign for that decision to be taken sooner rather than later, I would be pleased to head it.

When people called, as I did, for something to be done to reduce the number of children in poverty, we did not quite have the same loud voices in support of our calls as the non-doms, in their corner, did. I am pleased that the Chancellor listened to us, however, and took a decision that will lead to still more children being drawn out of poverty. Back in 1997, we inherited a position where more than 3 million children were in poverty, but through the steps taken so far we have drawn 600,000 of them out of poverty—and the steps announced today will reduce the number still further.

The Chancellor was right to focus on helping parents who are in work. Recent research has shown that more than half the children still living in poverty have at least one parent who is in work. It is right to concentrate on raising the national minimum wage, which will happen again in October; it is right to raise the tax credit for children, as the Chancellor announced today; and it will be right next year to raise child benefit by much more than the rate of inflation. I was also pleased to hear that next year, for the first time ever, child benefit will be disregarded in certain circumstances when parents go back to work and claim housing benefit and council tax benefit. All the right decisions have been made there.

I want to say a few words about green taxes. I think that *The Guardian* said yesterday that this was set to be the greenest Labour Budget yet. I have to say that I think not. Nevertheless, I believe that the Chancellor was right to postpone this year's increase in fuel duty. If one of the reasons for putting that duty up is to try to change motorists' behaviour, encouraging them to use their vehicles less, I would have thought that massive increases in the world price of oil are doing exactly the same job for us. While the price is so high, I think the Chancellor is right to wait.

The Chancellor briefly mentioned the climate change levy, which is going up only in line with inflation this year. The levy has, however, been a staggering success over the 10 years of the Labour Government. By 2010, something like 20 million tonnes of carbon dioxide will have been taken out of the atmosphere because of that levy, and about a third of it through voluntary agreements with intensive energy users. That is a great success. Following on from last year's announcement about having zero-carbon domestic properties by 2016, I hope that today's additional target for building zero-carbon non-domestic properties will make a real difference to future house and property building.

We must not forget that, as the Chancellor reminded us today, the Government provide immense support for making existing homes more energy efficient, helping people to cut the cost of heating their homes. Warm Front and the predecessor of CERT—the carbon

emissions reduction target, which used to be the energy efficiency commitment—have already supported work done on more than 2 million homes. CERT alone is estimated as likely to be supporting work on nearly 3 million more homes over the next three years.

The Chancellor reminded us of the historic step that will be taken next year, when alongside the economic Budget will be a carbon budget. For the first time, we will count the tonnes of carbon just as we count the pounds sterling in a Budget statement. The Chancellor also announced that in future we would auction 100 per cent. of the emissions trading scheme allowances for producers of electricity. That will bring in huge amounts of extra income, and I think we should establish the principle that it should be spent on environmental works for the future.

My hon. Friends the Members for Wolverhampton, North-East (Mr. Purchase) and for Wolverhampton, South-West (Rob Marris) both mentioned manufacturing, which performed very strongly last year. Nearly 3 million people are employed in United Kingdom manufacturing, responsible for more than half our exports and accounting for three quarters of the spending on research and development. In its business trend survey, the Engineering Employers Federation describes what is happening in manufacturing as

"the best conditions for manufacturing in ten years with rising levels of output and new orders... expanding employment levels. Investment levels... the strongest since 1995."

In its Budget representation, the EEF calls for measures to encourage enterprise and improve

"access of small and growing businesses to finance."

Both those measures were included in the Chancellor's announcement today.

I hope that in the year ahead we will build on the manufacturing successes of the last 10 years. As manufacturing takes its position centre stage, as house buying and selling slows and as consumer spending becomes more subdued, manufacturing has an opportunity to be at the forefront of our efforts. I think that the current world situation will ensure that it has that opportunity. I wish the Chancellor well in his future career as our Chancellor of the Exchequer, but I also wish UK manufacturing well in its position in the world from now on.

6.21 pm

Mr. Mark Field (Cities of London and Westminster) (Con): Essentially, this was a paralysis Budget. There was virtually nothing in the Chancellor's speech that had not already been announced several times over. It is clear that the Government are hoping that the ever-darkening economic clouds will pass soon, but that might be wishful thinking.

I want to say a little about the tax on non-domiciles. The watering down of the Chancellor's earlier ill-advised non-dom tax proposal should be welcomed. Retrospective taxation, which seemed to be proposed last autumn, is invariably unjustified, and the intrusive demands for details of overseas earnings and the uncertainty heralded by the Government's draft legislation risked undermining the UK's international competitiveness. I find it somewhat disappointing, however, that the Treasury is now intent on pressing ahead even with this diluted legislation on non-doms. There should have been a proper, wide-ranging consultation to allow greater debate, with any recommendations to be implemented in April 2009 rather than in five weeks' time. The unintended consequences of the Sarbanes-Oxley legislation on New York's dominance of the financial sector demonstrate just how rapidly any city's competitive advantage can be lost through knee-jerk political interference.

Nevertheless, I feel that having seen off the Treasury's set of politically rather than economically motivated proposals, we should return to the wider debate about the desirability of allowing internationally mobile, high-net-worth individuals to avoid making any contribution to domestic tax. Lest we forget, it was the Conservative party's suggestion on non-doms—designed to fund our policy on inheritance tax—that raised the standard for this entire debate last October. The shadow Treasury plan at that juncture was simple and balanced: non-doms would be charged a flat rate of £25,000, and in return would be entitled to the certainty of not being required to declare their income either on or off shore.

Five months on, the prospect of less clement economic weather, especially in the financial services sphere, has led many commentators to question the wisdom of imposing any tariff on non-doms. We should not forget that the great majority of those in the workplace who are non-domiciled are relatively modestly remunerated—a point raised against a background of some hilarity by the hon. Member for Wolverhampton, South-West (Rob Marris). However, a flat rate charge for those people amounts to a substantial imposition on their overall earnings, but it is rarely of course from this quarter that any vocal complaint has been forthcoming.

By contrast, in my role as the Member of Parliament for the Square Mile, I have been feverishly lobbied by leading financial services players, doing their best to convince me that anything beyond the status quo would result in a non-dom exodus of the job-creating super-rich from London to the cosmopolitan delights of Geneva or Frankfurt. I simply do not buy that. For a start, the attraction to high-net-worth non-doms and their families of living in London is probably worth paying an annual tariff of rather more than £25,000.

It also seems to me a rather slippery slope that the cheerleaders for the non-dom community would have us go down. Once the argument is accepted that a sector and its participants are so important to this nation that they should be exempt from paying a share towards the communal income taxation pot, where do we stop? At this point it is worth stressing that even high-net-worth non-doms contribute extensively via council tax, VAT, other sales taxes and employment taxes on their array of staff. They make a substantial contribution to the Treasury and their status exempts them primarily from taxation on their overseas earnings.

Strangely enough, the illogicality of the entire political class on this matter has gone largely without comment. If the levying of low—to the point of zero—taxes is so essential to job creation in the City, why is the case for lower, more internationally competitive tax rates for all not being made much more forcefully? The case for reducing taxation should apply across the economy, not just to a gilded few, whose special pleading can sound like disguised blackmail.

[Mr. Mark Field]

The aggregate sums that stand to be raised by an annual charge along the lines currently proposed, working on the assumption that none is persuaded to return home, are negligible. Meanwhile no one disputes that we cannot, and should not, kill the financial services goose that lays such a golden egg for the UK as a whole. However, even as someone who represents the City of London, I think there is a worrying over-dependence on the sector for the nation's economic well-being that makes some action over non-doms desirable.

As an inner-London MP, I have watched the influx of overseas money that has distorted house prices and the cost of middle-class living to the severe detriment of many indigenous Londoners. It is this group who feel that they are more than paying their way in collective taxation, yet at the same time are witnessing a marked diminution in the quality of their life. This unease is not a throwback to the politics of envy. Far from it; here is an aspirational, meritocratic group whose resentment is being stoked up by a perception of unfairness.

The debate on non-doms follows hot on the heels of that on the preferential tax rates enjoyed by those working in private equity. It is essentially a middle-class revolt over the unequal rewards to labour in the globalised economy. To their surprise, many highly educated professionals working outside the gilded corridors of the financial services sphere see themselves losing out as the world becomes more integrated and interdependent. The perception that the benefits of globalisation are not being spread either equitably or fairly is fast taking hold among an articulate group in our society who in the past instinctively would have regarded themselves as winners in the lottery of life.

The financial services sector is increasingly regarded by a sceptical and bemused general public—I do not necessarily agree with the sentiments, but they are the reality of what is happening—as a one-way bet to untold riches. Only last month, we learned that despite the effects of the credit crunch, overall City bonuses this year will top £7 billion. This is leading to enormous resentment not least from the middle classes, where the material expectations, particularly in London and the south-east, are becoming increasingly bleak. Indeed, the biggest concern I hear from middle-aged constituents is how, short of relying upon inheritance, their children can hope to match, let alone surpass, the standard of living they have taken for granted for decades gone by.

The prospect of non-doms being seen publicly to "pay their way" will help assuage many of these concerns without careering towards fully fledged protectionism, which would be totally undesirable. The City might be wise to seek some accommodation with the Government on this issue. But the concern of young workers and their ability to match their parents' standard of living also touches on another serious concern of mine, which I have raised in the past, not least at the last Budget. The dividing lines of 20th-century society—at least in the post-war era—were largely defined by class, but I believe that the first half of this century stands to be shaped by the battle between generations. The debt trail of this Government means that the young people of today, as well as those yet to be born, will foot the bill for both the Government's private finance initiative-funded investments and the unfunded cost of pensions for older people. PFI might well have led to the construction of tremendous new hospitals in many constituencies throughout the country, but that will have to be paid for in the future; it is a case of jam today, and future generations of taxpayers will foot the bill. I worry that those future generations will have to lower their expectations significantly when the time comes for them to retire and benefit in the same way as previous generations from public pensions.

Members on both sides of the House are being neither open nor transparent about this important issue. It is contained in the category of "ongoing borrowing requirements". The hon. Member for Wolverhampton, South-West (Rob Marris) referred to "Groundhog Day". We entered the House on the same day seven years ago, and public borrowing is another issue to which the term "groundhog day" could be applied. Every Budget I have seen has referred to borrowing going back into the black in about four years—and that is the case today, too. There has always been the idea that we are just a few years away from nirvana when everything will have corrected itself. The trouble is, however, that we have an ever larger borrowing requirement going forward.

We politicians are culpable in many respects. There are twice as many voters over 55 as there are under 35, and those voters are twice as likely to vote as younger voters. It is therefore perhaps unrealistic to expect anyone in the political arena to state certain bald facts on this matter. The reason many people well into pensionable age claim they receive so little from the state is that they have failed to pay anything like enough into the system to warrant their receiving what they now believe they are entitled to. Furthermore, the appetite in recent years has been for greater investment in public services, rather than tax cuts.

In reality, too much of this much-vaunted "investment" in the public sector has not been wholly paid for by the Treasury's current revenue. The Government have in truth been using the mechanism of the private finance initiative—now the public-private partnership—as a form of disguised borrowing with repayment postponed for up to 30 years, removing from the public balance sheet some of the capital costs of Government projects. Admittedly, some £30 billion of the capital value of PFI projects has been included on the current balance sheet, but that leaves more than £120 billion of public sector debt currently unaccounted for. That calculation takes no account, of course, of Northern Rock, much of which is likely to remain under state control well into the next decade.

I fear that this off-balance-sheet financing delays some of the tough decisions that need to be made about the future of public spending, and impedes the debate we must now have about how to manage public services not only in the years ahead, but for decades to come. One of the more depressing prospects in the years ahead is that my 40-something generation will be considered to have lived in the very best of times. We are all consuming what we believe we are entitled to, without much regard to the costs, and we run the risk of serious social unrest in the decades ahead as the evidence of this appalling generational pyramid sales scam becomes evident. It is not right that our young

people—and many unborn who will have the benefit of British citizenship—will have to meet the liabilities for our short-sighted, selfish approach. I regret that we have not even begun to address some of these issues in today's safe-pair-of-hands, careful-as-it-goes Budget.

I am grateful to have had the opportunity to say a few words, and I am glad that other Members who have waited a long time to make their contribution to this debate will also be able to do so.

6.34 pm

Mr. Austin Mitchell (Great Grimsby) (Lab): My right hon. Friend the Chancellor should be congratulated on a solid, sensible, workmanlike and utterly unexciting Budget, which was exactly what we wanted from him. We should warmly welcome what he has done for children and for education. Had I been Chancellor—in a parallel, happy land—I would have splashed out more as I am a generous Yorkshireman, not an ungenerous Scot. I would certainly have agreed with the points made by my hon. Friend the Member for Wolverhampton, South-West (Rob Marris) on the tax on strong cider. That retails for about £1.70 a litre in Grimsby—I should know, because I drink a lot of it—and threpence a bottle on that will make no difference at all.

The highlight and most interesting part of the Budget was its reception by the Opposition parties. The Conservatives, who have demanded tax cuts and opposed youth training expenditure and much of the expenditure on education for years, suddenly started saying that we should have put aside a nest egg to face a difficult future. They started telling us that we should have built a roof, but they did not tell us exactly what kind of roof. The speech made from the Conservative Front Bench was frankly vacuous, rendered better only by the contrast with the speech made by the leader of the Liberal Democrats, which it was even worse.

The Liberal Democrats have the advantage of retrospective infallibility. The essence of their argument was that what Labour had done was wrong, but what we have taken up from the Liberal Democrats was right and good. They have taken up and discarded a range of ideas in their lifetime, so we are bound eventually to stumble on something that they have advocated some years back. Thank heavens the right hon. Member for Sheffield, Hallam (Mr. Clegg) did not mention the euro and the benefits it would have brought us had we joined.

The hallmark of the speeches by both Front-Bench spokesmen for the Opposition parties was that one can turn abuse into an economic strategy. That is the essence of what was being said. Interestingly, those who have done best out of our Labour Government—the wealthy, the City, finance and the rich—are now the most critical and most demanding of change from our Labour Government.

I thought it was ill advised of my right hon. Friend the Secretary of State for Business, Enterprise and Regulatory Reform to sign the praises—the Mandelson song—of the virtues of wealth and high earnings, because I would certainly complain about obscene wealth. The demand made of wealth is that it fulfils its obligations to society, and it is not doing so on the necessary scale. The TUC booklet "The Missing Billions" tells us that £12.9 billion of personal tax and £11.8 billion of corporate tax is not paid to the Treasury because of avoidance schemes. As a result, the burden of taxation presses more heavily on the rest of society, in particular on the personal taxpayers and the lower range of taxpayers.

Tax is now pressing too far down the scale in this country. It is ridiculous that people on the minimum wage are paying income tax—that is clearly wrong. We should make it one of our concerns to relieve the multitude who labour, as they used to be called—it is the multitude who struggle now—because income tax is pressing too heavily on them. That tax is coupled with the burden of increased food, fuel and utility prices and increased council tax, and those people need some relief from those burdens. We should either raise the limit at which tax comes in or double the personal allowances to give everybody some relief and some money to spend to boost demand.

We could pay for that next year by increasing the taxation on wealth—on earnings of more than £100,000—to 50 per cent. We could splash out more money by doubling the winter fuel allowance. We need to put money into people's pockets to spend and thus boost demand, and we need to direct that money to the less well-off. Above all, we need a cut in interest rates. We have the highest interest rates in the world. Why? It is because we put finance in control of them. When we put the Bank of England in control, it meant that the interests of finance—having dear money and a high and stable exchange rate—became dominant in our national policy. It would have been far more sensible to have had not just a single rubric for the Bank of England, to keep inflation to 2 per cent, but a second rubric, like the US Fed, to maximise employment too. The result is that I must praise what I call Bushnomics—what they are doing in the United States, as opposed to what we are doing here. They have suffered from similar problems: the dollar is overvalued, although it is coming down, and they have a balance of payments deficit, as we do. Ours is slightly smaller, but it is now approaching 5 per cent. of GDP.

In that situation, the markets will bring both the dollar and the pound down. The Americans are welcoming that with benign neglect and letting the dollar fall, as they did in the 1980s and again in the 1990s, with beneficial effects on the exporting sector of the American economy. We should do the same, but the Bank of England will feel obliged to keep interest rates high—it is already saying that—to stop any slide in the pound. The pound has been the main instrument for defeating inflation, by making imports cheap and compelling manufacturing to discipline itself and cut costs to stay competitive, so the result of the high pound policy is that we have lost more than 1 million jobs in manufacturing. We live by manufacturing, but it is now a much smaller part of the economy.

We may contrast that with the situation in Germany, where there have been far fewer labour-shedding cuts than here. German industry has reinvested, re-equipped and absorbed the skilled labour force from the east, and would have put itself in a very powerful position were it not shackled by the overvaluation of the euro. We need a powerful industrial base, and the Americans will get one as the dollar comes down because they have a much more powerful economy. Unfortunately, we have put all our eggs in the basket of finance.

[Mr. Austin Mitchell]

Finance has flourished under this Government, and indeed under the previous Government, but it cannot provide the jobs. What are we to live on when the oil contribution finally fades away? Finance is the dominant part of our economy now, and it is inherently risky. It takes risks for profit; hence the sub-prime crisis, the special purpose vehicles and the liquidity crisis. Those are the risks implicit in having finance as the dominant sector of the economy.

The Labour party and the Labour Government need growth, because how can we improve the lot of the people except by increasing taxes, public spending and borrowing or by economic growth? Economic growth is the better, more straightforward way, but it is now threatened by contractionary tides both from outside and created in our economy. We are much exposed to those tides, which is why we needed a more expansionary Budget. It was disappointing in that respect. We need a touch of Keynes and a touch of Bushnomics.

Bob Spink: Will the hon. Gentleman give way?

Mr. Mitchell: No, I am sorry; time is pressing.

We need lower interest rates and a more competitive exchange rate. The high pound is still strangling manufacturing, and we cannot have a revival of production unless producing in this country is made profitable through a competitive exchange rate and an increase in demand. We need to build more houses, and to power through the contractionary forces that are rising in the economy. We cannot rely on the current policies, particularly the high interest rates and the Bank of England's uncompetitive exchange rate, to do that.

6.43 pm

Mr. Russell Brown (Dumfries and Galloway) (Lab): I join colleagues in congratulating the Chancellor on what I hope is the first of many Budgets from him.

Members on both sides of the House have said that these are difficult times for the global economy, but my right hon. Friend was able to report that the economy is stable and resilient and continues to grow. Importantly, he reported that the Government are meeting their strict fiscal rules for public finances. I appreciate that one of my colleagues from Scotland, my right hon. Friend the Member for West Dunbartonshire (John McFall), spoke earlier, but I shall give a quick flavour of the impact that today's Budget will have there.

More than 750,000 pensioner households will benefit from the additional one-off payment of £100 to households including someone aged over 80 or from the additional payment of £50 to households including someone over the age of 60.

Bob Spink: I am grateful to the hon. Gentleman—perhaps I can call him my hon. Friend, given that all Members of this House are now my hon. Friend. Given that women pensioners are more likely to suffer poverty, and accepting what he said about how welcome the extra payments are, does he regret the fact that the Chancellor has not used the opportunity of this Budget to drive towards greater equality between women and men pensioners?

Mr. Brown: The hon. Gentleman makes an interesting point. This Government have done much for women pensioners, but we recognise that there is still much more to do. Later in my speech I shall discuss one aspect of that subject which has disturbed me somewhat.

More than 300,000 families will benefit from the increase in the child element of child tax credit by some £50 a year from April next year. I shall focus on one or two highlights of today's Budget statement that are important to a significant number of people in my local area, but first I come back to the point raised by the hon. Member for Castle Point (Bob Spink). If what I say is negative, it is something that I need to get out of my system. It arises not from something that was said today, but from what I see as a missed opportunity following last year's Budget statement.

In that statement, the reduction in the basic rate of income tax from 22p to 20p and the abolition of the 10p rate, which come into effect next month, were announced. The news caused deep anxiety, and within days I and several colleagues met my right hon. Friend the then Chancellor, now the Prime Minister, to make him aware of our concerns. I have also discussed the matter with the present Chancellor a couple of times. Although 700,000 pensioners will be removed from the tax bracket next month, many people in areas such as the one that I represent, which regrettably has a low-wage economy, will not see a positive impact. In areas with a low-wage economy, we find households that struggle to get by. It is those low-income households, women pensioners under 65 and people who may have retired because of ill health who, unfortunately, will be paying extra tax after 1 April. The only reassurance I have is that any extra tax that we generate will go into public services, which, I believe, need continuing investment.

I am delighted that the Chancellor chose to defer the introduction of a 2p increase in road fuel duty, especially with crude oil prices so volatile. I wrote to my right hon. Friend and discussed the matter with him, and I would like to think that he listened to me, but I suspect that he was listening to other representations as well. The decision will come as a great relief to households in my constituency, but we face a real challenge. Some people, we hear, are talking about the price of a barrel of oil reaching $200 in coming years. It has taken a long and painful time to reach $100 a barrel, but the fact that some people have in recent weeks been speaking freely of $200 a barrel is extremely difficult to swallow. As a nation, and perhaps globally, we have to think about how to face that challenge. Can we get people out of their cars?

When crude oil prices are so volatile, the price differentials that have been mentioned in the Chamber this afternoon and on previous occasions are exploited. We see wide-ranging price differentials. The hon. Member for Caithness, Sutherland and Easter Ross (John Thurso) mentioned the figure of £1.26 a litre. Parts of Scotland have extremes, but differentials have crept in even in areas where there are not extremes, and we desperately need to look into that.

I fully support the green agenda, but individuals can be moved out of the comfort zone that the private car provides only if suitable public transport is available and affordable. In my area, the local bus network is nowhere near adequate, and it is more expensive than it should be. I wrote to Stagecoach, which is the main

provider of public transport in my area, complaining about the increase in bus fares. I am disappointed that no Scottish National party Members are here, but I want to read to the House what was said to me. The letter says:

"I feel that it is important to highlight the fact that this year in particular bus operators in Scotland are subject to higher operating costs than our counterparts in England. This is a direct result of the current Scottish Governments decision not to award the increased level of Bus Service Operators Grant…we may find ourselves in the position that we may have to increase fares by a further amount later in the year."

That is only one of a number of issues that have arisen of late. I know that colleagues paint the rosy picture that Scotland is a land flowing with milk and honey. It is an admirable country to live in, but there are some underhand practices taking place in Scotland under the current Administration in Holyrood.

It has been raised, both on the Floor of the House and in Westminster Hall debates, that £34 million was allocated, as a direct result of the Barnett formula, to supporting disabled children and their families. That was a direct result of the pre-Budget statement made towards the end of last year. We cannot account for that money, and it is my belief and the belief of many of my colleagues that the money has gone towards filling a major black hole in the SNP Scottish Executive budget, which has led to the freezing of council tax. It is an admirable concept to freeze council tax, but should it be done at the expense of disabled children? Should it be done, potentially, at the expense of those in rural areas who desperately need public transport?

The increase in alcohol duty has been mentioned. I intervened on the hon. Member for Dundee, East (Stewart Hosie) to make the point that his party was in a dilemma, as the SNP Cabinet Secretary for Finance and Sustainable Growth had pleaded with the Chancellor not to increase duty on whisky, whereas the Cabinet Secretary for Justice in Scotland had said that there should be significant increases in the price of alcohol to combat antisocial behaviour and binge drinking.

The hon. Member for Ribble Valley (Mr. Evans) has left the Chamber, but I have heard it said more than once in the Chamber this afternoon that by increasing duty the Chancellor was tackling the issue of binge drinking and heavy drinking. The Chancellor's comments on the increase in duty came to some 135 words, but not once was binge drinking or heavy drinking mentioned. In fact, he summed up by saying: "It is only because I have taken these decisions on alcohol and on closing tax loopholes that I am able to provide additional support for families and lift more children out of poverty." That, and no other reason, is why there is an increase in the duty on alcohol.

As I suggested earlier, my view is that alcohol and its price is only one aspect of what we as a nation need to do to tackle the unsavoury behaviour that we see on many of our streets, in towns, cities and even villages, and on some housing estates. Let us be perfectly honest: if there is an increase in the price of alcohol, young people will manage to get their hands on additional money to buy it. We should never forget that sometimes they are not going out to buy it or getting others to buy it; they are taking it from home.

There was a wry smile on the faces of some of my hon. Friends when the hon. Member for Caithness, Sutherland and Easter Ross declared that he would at some stage become the grand master of the Keepers of the Quaich. Let me assure the House that that is not some kind of secret organisation, as the title may suggest.

All in all, it has been a good Budget under difficult circumstances. My hon. Friend the Member for Stafford (Mr. Kidney) made the point that the Chancellor passed his test today. I hope that this is the first of many Budgets that we will hear from him.

Debate adjourned.—*[Liz Blackman.]*

Debate to be resumed tomorrow.

PETITIONS

Post Office Closures (Swindon)

6.56 pm

Anne Snelgrove (South Swindon) (Lab): I present two petitions on behalf of my constituents, protesting against the closure of Westcott Place post office and Guildford Avenue post office. Both post offices are extremely well used. Westcott Place serves the central area of my constituency, which is a very poor area, and Guildford Avenue serves a mainly elderly population.

Following is the full text of the petitions:

[The Humble Petition of customers of Guildford Avenue Post Office,

Sheweth

That the Petitioners believe that the branch provides a vital service to the local community.

Wherefore your Petitioners pray that your Honourable House urges the Government to ensure that the Guildford Avenue Post Office is retained.

And your Petitioners, as in duty bound, will ever pray, &c.] [P000146]

[The Humble Petition of customers of Westcott Place Post Office,

Sheweth

That the Petitioners believe that the branch provides a vital service to the local community.

Wherefore your Petitioners pray that your Honourable House urges the Government to ensue that the Westcott Place Post Office is retained.

And your Petitioners, as in duty bound, will ever pray, &c.]

[P000147]

Accident and Emergency Departments

Motion made, and Question proposed, That this House do now adjourn.—*[Liz Blackman.]*

6.57 pm

Dr. Richard Taylor (Wyre Forest) (Ind): I am grateful for the opportunity to initiate the debate, and I am revelling in the fact that I have three minutes extra, so I do not have to watch the clock. The Minister, whom I am pleased to see in his place, knows that on occasions, even though I sit on the Opposition Benches, I am trying to be helpful to the Government. This is one of those occasions.

Everybody admits that some accident and emergency departments are struggling under enormous loads. Ambulances stacking outside have been drawn to our attention in several press reports, national and local, in the past few weeks. I want to try to find out why too many people are coming. Then we can tackle the issue and think of possible cures, as I believe that the problem is not intractable.

I start with one example of completely inappropriate use of an accident and emergency department. I know of a lady over the age of 90, living alone, with end stage cancer. She could not cope, so she called her general practitioner. To his credit, he came. Some people have trouble getting their general practitioners to come out. However, he took the easy way out and did not solve the problem. Because she was going to see her specialist the next day, he took no decision and told her to see the specialist.

The lady saw her oncologist, and to her great sadness and disappointment, he said, "I'm very sorry. It is impossible to admit you," so she went home. She was desperate. The only thing she could do was call 999. She was taken to another hospital. She was not well enough to give a full history or details. As well as blocking up the accident and emergency department, she had further investigations and a scan, which she had already had. Sadly and inevitably, she died a few days later. Such situations are absolutely unacceptable, and there are—or should be—ways of avoiding them. The name that I am using may be slightly out of date, but there are multi-agency response, or MARS, teams, which include nurses, therapists and social workers. They are specially designed to be called by a general practitioner or anybody concerned about elderly patients or patients with long-term illnesses in particular.

It being Seven o'clock, the motion for the Adjournment of the House lapsed, without Question put.

Motion made, and Question proposed, That this House do now adjourn.—*[Liz Blackman.]*

Dr. Taylor: MARS teams can be called out to solve the problems of the elderly and those with long-term illnesses, including cancer, so that they can avoid going to A and E departments and being admitted unnecessarily to hospital. Has the Minister any idea of the distribution of such teams and the publicity? The case that I mentioned did not happen in my area, but that GP obviously either had no access to such a team or did not know of its existence.

I am making a call for the unification of the health service and closer co-operation between primary and secondary care. Such co-operation was made much more difficult by the purchaser-provider split, which drove a wedge between GPs and their hospital colleagues. Last night, I was at a meeting of the Royal College of Physicians with several MPs; it has just started a new initiative for the future of care closer to home which it calls "Teams without Walls". I shall quote one or two extracts from the college's paper:

"General practitioners and consultants have traditionally worked together for the benefit of their patients. However in recent years this relationship has been more difficult with an organisational split between primary and secondary care. Now things are changing: new life is being given to the notion that they should work closely together once more."

The college has brought together GPs, paediatricians and physicians to plan for those combined services. The paper goes on:

"We coined the phrase 'Teams without Walls'. New teams not bounded by institutions to provide high quality sensitive and accessible care across the primary secondary interface.

There is good evidence to support this approach for long term conditions and the elderly in particular…This is not just about consultants providing sessions in the community, it is about new teams, with specialist nurses, therapists and pharmacists".

It is all about working together to keep people away from A and E departments and hospitals when they do not need to go to them.

A second way to reduce the load on A and E departments is through the effective use of emergency care networks. The network between the really major trauma centre and the ordinary district general hospital A and E department is well worked out. Ambulance workers, doctors and hospitals know that if someone has major burns, head injuries or chest injuries, they do not go to any run-of-the-mill A and E department, but to the local major trauma centre.

However, not so well worked out and understood are the much more local networks—on a county-wide basis, for example. A county may have one or two routine and ordinary accident and emergency departments and a number of minor injuries units or urgent care centres. The networks have to work effectively in those centres so that people know that for certain conditions they can go to a minor injury unit and for others they can go to an urgent care centre. Knowing that will keep them out of and away from A and E departments.

The Minister knows that after a great struggle, there is in my patch a pilot trial involving having a doctor in our minor injuries unit. There is some good news from my constituency. A report to the acute trust board on 28 February said:

"The pilot has demonstrated that there is a modest but important clinical demand for a doctor-led"—

urgent care service—

"at Kidderminster Hospital…The pilot has demonstrated that such a service can be provided safely…The Trust should consult on establishing the UCS on a permanent basis."

In the same paper, the trust recognises the importance of rotating staff between the A and E department, the urgent care centre and the minor injuries unit. That is absolutely vital in any network so that staff work in all the different departments and know each other. That means that the lesser unit will not be held in lower esteem because it will have the same staff. Moreover, if a patient going to the lesser unit needs to transfer to the major unit, the history taking and investigations are done only once in the lesser unit, sparing the scanning

department and the X-ray department in the larger unit. That is absolutely contrary to my experience of years ago. I trained about half a mile from here at the old Westminster hospital, which sadly no longer exists. In those days, we used to get a lot of patients coming from out of London. We did not trust the work that had been done in perfectly reputable hospitals outside London, so we repeated all the investigations, which was entirely wrong. That would not happen in really close working networks with shared staff.

The report to the trust board about the pilot in my area goes on to say that the trial has demonstrated only modest clinical demand. That is not surprising, because for various reasons the doctor has been put there from 9 to 5 on Mondays to Fridays only. That is when people do not much need the service, because with most sorts of moderate to mild emergencies they can go to their GP. It is vital that it is extended to seven days a week, perhaps from 9 am to 9 pm, to cover the out-of-hours periods that are most important to people. I am pressing for that and pointing out that a doctor on site in the minor injuries unit would ease the problems for the out-of-hours service, because if a doctor were there all the time, the few GPs on call might have to cope only with visits.

That brings me to my third suggestion. It is very difficult to get people to the right place. No amount of telling will be recalled by patients or families in an emergency situation, who will just dial 999—that may well be appropriate; if it is life-saving, it obviously is—or take themselves to the nearest hospital regardless of what it is able to provide. I strongly believe that what is needed is a single phone number dedicated to patients and services within each network area of emergency care. The Minister will remember that in a Westminster Hall debate of mine some time ago, to which he responded, I listed the confusing variety of places and phone numbers that patients have the option of calling when they do not know what to do. They can phone NHS Direct or the out-of-hours service, or they can go to a minor injuries unit, a walk-in centre or an A and E department—the list is immense.

I advocated, and still advocate, a single number to a triage system such as NHS pathways, which would advise and direct to the appropriate local service for that particular area and that particular patient. Trials of NHS pathways have been under way, and I hope that the Minister will be able to tell the House something about them, as they were due to report last autumn. A single number for specific direction to the appropriate unit would be ideal and would prevent people from going unnecessarily to the A and E department.

My fourth suggestion is really a query. Delayed discharges keep beds occupied for the wrong reasons and make admissions to an A and E department more difficult. The Health Committee did a report on this matter during the 2001-02 Session. We went through the reasons and the cures, and the Government said in their response:

"by March 2002, the delayed discharge rate for patients over 75 had fallen further to 9.4 per cent. We believe that the further reductions in delayed transfers of care that we have seen over the period from October 2001 to March 2002 are sustainable and that the target in the NHS Plan to end widespread delayed discharges by 2004 will be achieved."

My question for the Minister is whether that has actually been achieved. What is the situation for delayed discharges now?

My fifth point, which was drawn to my attention by staff working in A and E departments, is the potential conflict between the 18-week target for elective admissions and the four-hour target for admission from A and E departments. One wonders whether some hospitals favour the 18-week target and use beds for elective patients, rather than attempt to maintain a reasonable bed occupancy rate so that there is slack for emergency admissions through A and E departments. Hospitals running with occupancy rates above 90 per cent. are likely to be in trouble. We come back to my main point that solving the problem involves limiting the number of people who turn up at A and E to those who really need to do so.

Finally, I shall outline an extremely unacceptable use of an A and E department, which was just reported to me by a patient's family. It is so crazy and unbelievable that I have not waited for the trust's response to the family's complaint or my letter. An elderly lady was transferred from an acute ward to a less acute ward in the same hospital—probably quite appropriately. In that ward, sadly, she deteriorated, and a doctor's opinion was sought. Her son-in-law—my constituent—wrote to tell me that because no doctor was available in the unit to deal with her condition, she was transferred by ambulance to the A and E department of the same hospital, where she spent much of the night on a trolley before being transferred to a bed in an acute ward the next morning.

That is not just inappropriate use of A and E, but scandalous, inadequate care. No doctor was available to go to her, so in her frail state, at the age of 89, she had to go to A and E. That is totally unacceptable, and points to a basic failure of organisation and a failure to provide adequate numbers of medical staff on call. I hope that it is a unique example, but misuse of A and E departments is rife. I hope that I have given the Minister food for thought, and action, to improve the situation.

7.13 pm

The Minister of State, Department of Health (Mr. Ben Bradshaw): I congratulate the hon. Member for Wyre Forest (Dr. Taylor) on securing this debate, and I welcome the fact that he has taken up the two cases that he raised. I would like to be kept informed of the progress that he or his constituents make in pursuing those complaints; he said that he had made one about the second case he outlined, but it was not quite clear whether he had about the first. Even so, I would be interested to hear from him, because it sounds as if they are cases that have not been handled well, to say the least.

Before I move on to some of the hon. Gentleman's key points, I would like to reflect on the huge national transformation we have seen in recent years in accident and emergency departments. In 2003, almost a quarter of patients waited for more than four hours in accident and emergency departments in England. In 2006-07, more than 98 per cent. of patients in England were seen, diagnosed and treated within four hours of their arrival. There has been a revolution in patient care. We should

[Mr. Ben Bradshaw]

no longer allow patients to spend many hours—or even days, as some used to do—in A and E. That transformation has been achieved thanks to the hard work and professionalism of thousands of front-line NHS staff—not only doctors, but nurses and the full range of NHS staff.

In addition, our drive to eliminate long waits in A and E has made the whole health and social care system work together in new and better ways, resulting in faster access to treatment for patients. When patients are surveyed, they tell us that A and E is better than ever. In the latest independent Healthcare Commission survey, which was published in 2005, eight patients out of 10 said that they had had a good experience in A and E departments.

However, as the hon. Gentleman rightly highlighted, A and E departments are busy. In 2006-07 there were some 18.9 million attendances at all types of A and E, and 3 million emergency admissions via major A and E departments. They are one of the few NHS services that have their doors open 24 hours a day, 365 days a year, dealing with a multitude of different conditions and issues. However, against that backdrop, A and E services continue to provide responsive, high-quality and timely care to patients. That is partly thanks to the increase in medical staff working in A and E. The last NHS work force census on 30 September 2006 shows that there were 4,714 medical staff working in A and E, including consultants—an increase of 61.8 per cent. since 1997. Health service spending by commissioners on A and E has increased by 125 per cent. since 1997, from almost £750 million in 1997-98 to nearly £1.7 billion in 2006-07.

We recognise that there will be fluctuations in demand for A and E services. However, the NHS routinely plans for such changes and it is for services locally to decide what arrangements to put in place to deal with any changes in attendances to ensure that patients can regularly access high-quality, timely care. It is also worth noting that the rate of growth in attendances at A and E is now slowing. The annual growth rate in 2006-07 was less than 1 per cent.

However, as the hon. Gentleman said, one of the key considerations is to view A and E activity in the context of other aspects of NHS patient contact and other services that deal with urgent and emergency needs. As he pointed out, people have several options if they need to access care: they can call an ambulance, or visit A and E, a minor injuries unit or a walk-in centre. They can also make a same-day appointment with their GP, or call NHS Direct or their local out-of-hours primary care service. Community services such as pharmacists, community mental health teams and community social services can also play a role.

Those other services provide a lot of care. For example, although there were more than 18 million attendances at all types of A and E services during 2006-07, and more than 13 million were at type 1—major—A and E departments, there are nearly 900,000 general practice consultations a day, equating to around 290 million GP practice-based appointments a year. Many of those services provide crucial care to patients to help them manage their condition without having to resort to urgent or emergency care later. Indeed, as the hon. Gentleman said, some people have a range of complex health and social care needs, and simple problems can cause their condition to deteriorate rapidly, putting them at risk of needing to attend A and E, and possible emergency hospital admission.

Case management, which I believe is a modern way to describe the sort of multi-agency response teams that the hon. Gentleman mentioned, can provide improved preventive and tailored packages of care to people at risk of unnecessary attendance at A and E or admission to hospital. That is a fundamental element of the Government's overall strategy for improving care and outcomes for people, especially those with long-term conditions, along with the target to reduce emergency bed days by 5 per cent. by 2008, through better primary care and community settings.

Case management, led by a community matron or a case manager, should provide intensive, ongoing, personalised care with a focus on prevention and integrated working between health and social care professionals. The community matron or case manager should take the lead in co-ordinating services, which are provided as far as possible in the community setting, supporting people to live in their own homes and communities. For the service to be most effective, the community matron must integrate with other parts of the health and social care system by working alongside GPs and others in the primary health care team, as well as the local acute trust, mental health care providers and social services.

NHS and social care organisations have already made a major impact, by reducing emergency bed days in 2006-07 by 10.1 per cent. over the baseline year of 2003-04, meaning that the reduction target has been significantly exceeded. Continued efforts and reform are crucial to maintain those improvements in care in all parts of the country and to sustain bed day reductions in future.

One of the Government's commitments is that by this year we expect all PCTs and local authorities to establish joint health and social care networks and teams to support those with long-term conditions who have the most complex needs. We will issue guidance later this spring to embed integrated working and standardise it across the country. Integrated team working will benefit a range of individuals, not just those with long-term conditions, and there are a range of other services and teams across the NHS and social care that provide valuable support.

I recently visited a good model of that kind of care, at the Calne health centre in Wiltshire—a rural county, like the hon. Gentleman's—where I met the neighbourhood nursing team. It was providing an excellent service, so patients did not have to make long unnecessary journeys to hospital, and emergency admissions were not delayed. Instead, patients received excellent care from those teams of nurses in their own homes.

We need to ensure that all parts of the urgent and emergency care system provide the most timely and appropriate care for patients, and that there is integrated provision that makes sense to patients. As the hon. Gentleman said, we also need to ensure that wherever patients access care, they get a robust and consistent assessment of the urgency of their need. As the hon. Gentleman reminded us, he has shown interest in the work under way to pilot a potential assessment

tool, NHS pathways. We hope to have the outcome of that evaluation in the first half of this year—not, to correct him, last autumn.

Although much has been done, the NHS Next Stage review will ensure that things are driven even further forward. As hon. Members will know, last year the Prime Minister invited Lord Darzi to conduct a review of the next stages in the development of the NHS. At the local level, each strategic health authority has set up working groups of local clinicians and other NHS staff to develop their vision of world-class services in their area. That will include a vision for acute services and for a number of other pathways that can have an impact on A and E, such as long-term conditions. Those visions will be developed with clinicians, based on their own experience and combined with the best clinical evidence available.

It is also clear that local health commissioners and providers need to continue working together to ensure that patients can navigate their way through the system of urgent and emergency care services. It is important for people both to have straightforward information, clearly communicated, about what to do in an urgent or emergency situation, and to be aware of the options available.

In connection with that, we want to simplify access to urgent care services. We are, as the hon. Gentleman requested, exploring the possibility of introducing a three-digit number to sit alongside the emergency services number, 999. That number would need to be memorable for the public. Users would need to be confident that they would get a rapid and safe assessment of their needs and an appropriate response to meet them. As stated in my noble Friend Lord Darzi's interim report, the Department has been pressing ahead with preliminary feasibility discussions with Ofcom, the telecoms regulator. A number of technical issues concerning the provision of a three-digit number still need to be addressed. Ofcom will also need to consult formally on any proposals to introduce such a number, but we are making good progress in our discussions with Ofcom, and I feel confident that that can be achieved.

In conclusion, I am sure that the hon. Gentleman will join me in congratulating the staff who work in A and E departments up and down the country to ensure that patients are seen and treated in a timely way, on their hard work and continued dedication, and in welcoming the huge contribution that a range of other services and staff make in supporting people to live at home and be cared for in the community. I very much regret the examples that he raised this evening, and I would be grateful if he could keep me informed on the progress of his complaints. I share with him a wish to see an integrated and seamless service that does not let people down, and which patients want. That is the service that we are determined to provide for them.

Question put and agreed to.

Adjourned accordingly at twenty-four minutes past Seven o'clock.

House of Commons

Thursday 13 March 2008

The House met at half-past Ten o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

PRIVATE BUSINESS

BROADS AUTHORITY BILL *(BY ORDER)*

Order for Third Reading read.

To be read the Third time on Thursday 20 March.

BOURNEMOUTH BOROUGH COUNCIL BILL *[LORDS]* (BY ORDER)

CANTERBURY CITY COUNCIL BILL *(BY ORDER)*

LEEDS CITY COUNCIL BILL *(BY ORDER)*

LONDON LOCAL AUTHORITIES (SHOPPING BAGS) BILL *(BY ORDER)*

MANCHESTER CITY COUNCIL BILL *[LORDS] (BY ORDER)*

NOTTINGHAM CITY COUNCIL BILL *(BY ORDER)*

READING BOROUGH COUNCIL BILL *(BY ORDER)*

Orders for Second Reading read.

To be read a Second time on Thursday 20 March.

Oral Answers to Questions

DEPARTMENT FOR ENVIRONMENT, FOOD AND RURAL AFFAIRS

Use of Waste

1. **Andrew Rosindell** (Romford) (Con): What his policy is on the use of waste as part of the landscaping of new developments; and if he will make a statement. [193649]

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Joan Ruddock): The Government encourage the reduction, reuse, recycling and recovery of waste wherever possible. As a way of encouraging recovery, suitable waste can be used in landscaping developments under exemptions from waste management licensing, administered by the Environment Agency.

Andrew Rosindell: I thank the Minister for her reply, but has she had an opportunity to examine the situation at the Risebridge golf course in my constituency, where hundreds of thousands of tonnes of waste have been dumped under the guise of landfill, to the great benefit of the company running the golf course? Will she come to see the destruction that that is causing to the local environment, and take immediate action to prevent this scam from happening elsewhere in the country? Basildon is another example of where it is now happening. Will the Government take immediate action to resolve that devastation of the environment?

Joan Ruddock: I have indeed taken the trouble to examine the case that the hon. Gentleman raises, as well as that raised by my hon. Friend the Member for Basildon (Angela E. Smith) in respect of the Basildon golf course. The Environment Agency has permitted the use of the material on the site, but having heard the hon. Gentleman's case, I have drawn the issue further to the attention of the agency. It tells me that it visited on 28 February, and will visit again on 20 March. Because of the concerns that he and other Members have raised, a review of exemptions from permitting will take place. A consultation will be carried out this summer, and the revised exemptions could be introduced at the earliest in October next year. That will be done, and we are concerned. Where waste can be used in low-risk operations, that should be done for recovery. Where there are possible scams, however, permitting will be needed. That will be the subject of the consultation.

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op): Is my hon. Friend aware that one of the biggest new developments in the history of our country is the Olympic site? A great opportunity exists to reuse waste for other purposes on that site. Will she talk to the Olympic Delivery Authority, because the word is out that sustainable contracts, using waste transferred by water and rail, are being excluded on the basis of cost, and it is just going for the cheapest option? Will she talk to her colleagues urgently?

Joan Ruddock: I am grateful to my hon. Friend, who I know takes a great interest in the subject of waste. As I indicated, the Government's policy is that we should make use of waste, but only in sustainable ways; that is the crux of the matter. We will introduce new regulations in respect of construction sites, and it is important that waste from construction sites be dealt with better than it has been in the past, when many problems occurred. I undertake to talk to my colleagues, and to try to ensure as much recovery and reuse of waste as possible. Waste can be a resource, provided that it is dealt with sustainably.

Greenhouse Gas Emissions

2. **Tony Lloyd** (Manchester, Central) (Lab): What steps the Government are taking to reduce UK greenhouse gas emissions. [193650]

The Minister for the Environment (Mr. Phil Woolas): With permission, Mr. Speaker, I will answer this question together with question 7. UK greenhouse gas emissions have fallen by 16.4 per cent. since 1990. We remain on course to nearly double our Kyoto protocol target over the 2008-12 period. The 2006 UK climate change programme and the 2007 energy White Paper set out the policies and measures for reducing emissions and support the UK's transition to a low-carbon economy. The Climate Change Bill, the first of its kind in any country, introduces legally binding carbon budgets to ensure that progress will continue.

Tony Lloyd *rose—*

Mr. Speaker: Order. We ought to do things properly. Has the hon. Member for Coventry, North-West (Mr. Robinson) been informed of the grouping of the questions? If not, it would be unfair to him to deal with question 7 now, given that he may come into the Chamber later.

Mr. Woolas: I believe he has been informed, Mr. Speaker, although I am not sure.

Mr. Speaker: If the Minister is not sure, I shall leave the questions ungrouped.

Tony Lloyd: Thank you, Mr Speaker.

I welcome my hon. Friend's answer, and the Chancellor's reaffirmation yesterday that the Committee on Climate Change will consider increasing the target for greenhouse gas reduction from 60 per cent. to 80 per cent., but will my hon. Friend look again at the position of aircraft and shipping? Given that they now account for some 10 per cent. of greenhouse gas emissions, they need to be covered by a proper scheme. I know that there is a proposal to include aircraft in the European Union emissions trading scheme, but shipping must be brought into a framework of strict controls if we are to ensure that it too plays its role in reducing carbon emissions.

Mr. Woolas: Thank you for your guidance, Mr. Speaker.

I, too, welcomed the measures announced in yesterday's Budget statement. As my hon. Friend knows, as a result of the efforts of my right hon. Friend the Secretary of State at the European Environment Council, aviation is to be included in the emissions trading scheme. That is an important development. As for shipping, we are hopeful that the International Maritime Organisation will achieve its inclusion, but if not we shall have to act, as the United Kingdom Government.

Miss Julie Kirkbride (Bromsgrove) (Con): I am sure that the Minister applauds the Chancellor's announcement yesterday that he would impose higher taxes on gas-guzzling cars that are big polluters. But what consideration has his Department given to the fact that one of the categories involved covers people-carriers, which tend to be used by larger families? If such families were discouraged from owning people-carriers, they might well use two cars instead.

Mr. Woolas: The hon. Lady has obviously been thinking about this overnight. She makes an important point, which is blindingly obvious. It is true that people wish to contribute to the reduction in emissions, and getting the bandings right in the way proposed by the Chancellor is an important part of that. I draw the hon. Lady's attention to the goal of 100 g per km travelled for efficient engines, bearing in mind that the United Kingdom is among the largest manufacturers of engines in the world.

Kelvin Hopkins (Luton, North) (Lab): I am sure my hon. Friend accepts that reducing greenhouse gases requires a massive investment in renewable energy, but a recent European Union table shows that Britain is the third worst country in the EU for producing renewable energy. Germany has 360 times more installed solar capacity and 10 times more wind capacity, and it has achieved that by intervening in the energy markets rather than leaving things to market forces. When will my hon. Friend take investment in renewable energy seriously?

Mr. Woolas: My hon. Friend's statistics are accurate. That is why a huge amount of attention is being given to ensuring that the United Kingdom can make its contribution. As my hon. Friend will know, a number of major projects and policy changes are in place. I remind him that yesterday's Budget statement confirmed the intention to examine the issue of feed-in tariffs for microgeneration.

Tony Baldry (Banbury) (Con): It is not unreasonable to expect the economies of countries such as China and India to grow by about 3 per cent. over the next decade. Those countries are increasingly using coal-fired power stations: in China, a new one seems to come into play practically every week. It is also not unreasonable for developing countries to want to catch up with developed countries. In setting our targets, what account are we taking of that, and of the fact that such countries are likely to produce considerably more carbon emissions over the coming decades?

Mr. Woolas: The hon. Gentleman has asked an important question, which will be discussed at the informal G8 meeting in Japan at the weekend. The United Kingdom Government lead the world in policy on carbon capture and clean coal energy, and also in putting our money where our mouth is.

The hon. Gentleman also asked how we can balance the growth in countries such as China and India—which is, of course, perfectly proper and welcome—with the transformation that will lead to a clean energy world. That is at the heart of the discussions and negotiations that are taking place as part of the Bali process, to which, as the hon. Gentleman knows, the United Kingdom is contributing positively.

Mr. Brian Jenkins (Tamworth) (Lab): My hon. Friend will realise that one way to reduce greenhouse gases is to reduce the demand. While I welcome the Chancellor's moves on, and the projects for, home insulation, is it not time that we seriously recognised the role that energy suppliers play before they couple up to a type of accommodation? The type of construction of accommodation is what causes loss of heat, not the occupant of that accommodation. Is it not time that we approached this matter from that position, rather than have the current system under which people have to be over 70 years of age, disabled or have a serious need before they get free home insulation?

Mr. Woolas: I thank my hon. Friend for that important question. He is right that in all these strategies energy efficiency is the biggest win, and is what saves the consumer money. Warm Front is not the only scheme available; the CERT—carbon emissions reduction target—scheme is a £1.5 billion strategy that places an obligation on the energy companies in respect of people across the country who are not dependent on benefits, so that addresses my hon. Friend's point. I might add that we in DEFRA were punching the air with delight at the announcement in yesterday's Budget on the zero-carbon commitment for non-domestic buildings, and particularly public sector buildings.

Gregory Barker (Bexhill and Battle) (Con): On Tuesday night at the Chemistry Club I listened to the Secretary of State speak with genuine passion about the enormity of the climate change threat and the need for urgent action. Yet yesterday we heard the Chancellor deliver the most unambitious and piecemeal of responses to the global warming crisis in his "bad news" Budget. It is becoming clearer by the day that the current DEFRA team is being completely sidelined by the new Prime Minister. Can the Minister think of any other reason why his party colleague, a former Home Secretary, told *The Guardian* last week that the Prime Minister's efforts on climate change were "absolutely pathetic" and "embarrassing"?

Mr. Woolas: I can think of many reasons why the right hon. Member for Norwich, South (Mr. Clarke) might wish to say things like that, but none of them is related to the fact that this Prime Minister—*[Interruption.]* Think about it. None of them is related to the fact that this Prime Minister is leading, both domestically and internationally, the change to a low-carbon economy. The various measures announced in the Budget to build on that—one of which I have just mentioned, for zero-carbon non-domestic buildings—will bring about in this country the changes that the hon. Gentleman requests, and which were debated at the Chemistry Club this week.

Mr. David Chaytor (Bury, North) (Lab): I congratulate the Government on the policies on climate change in yesterday's Budget, particularly those on taxation of the most polluting vehicles. The shadow spokesman, the hon. Member for East Surrey (Mr. Ainsworth), was of course a distinguished member of the Environmental Audit Committee, and I wonder whether my hon. Friend has thought about whether we might need an environmental audit of the climate change policies of each Member of this House. It would be extremely interesting to audit Conservative Members' preferences in domestic fuel consumption and their choice of vehicle, as we could then see whether they are consistent in their approach to climate change.

Mr. Woolas: I have no tabbed reply for that question; it is a matter for the House. *[Interruption.]* My right hon. Friend the Secretary of State points out that the "Act on CO_2" carbon footprint calculator is available online. All of us can play our part, and I believe that it is important for Members of this House to set an example to the country, because the public will judge us on what we do, not on what we say.

Steve Webb (Northavon) (LD): The Minister will be aware that a third of CO_2 emissions come from power generation, and I hope that he shares my concern that a new generation of coal-fired power stations with unremitted carbon emissions would be catastrophic. Can he therefore confirm that DEFRA is banging some heads together in the Department for Business, Enterprise and Regulatory Reform and telling it not to give the go-ahead to new stations such as Kingsnorth unless and until they can be guaranteed to operate with carbon capture, not just the promise of that in some distant future?

Mr. Woolas: I can give the hon. Gentleman the assurance that he seeks—DEFRA and DBERR work in tandem on these issues. The proposals for the new power station have yet to be decided; planning consent locally has been given. The importance of carbon capture and clean coal energy, domestically and internationally, cannot be overstated; it is about 50 per cent. of the issue. We wish to be in a position where our companies and our technology can help the world to provide for carbon capture of coal. Of course, it would be unwise of me to comment on the particular site, but we do want to move to more efficiency in coal energy. I do not think that the hon. Gentleman is suggesting that we cease to produce coal-driven energy, but it is important that the new technologies can be put in place.

Coastal Areas (Public Access)

3. **Paddy Tipping** (Sherwood) (Lab): What recent discussions he has had with Natural England on public access to coastal areas. [193651]

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Jonathan Shaw): We have regular meetings with Natural England, and we have done since it reported in February 2007 on ways to improve access to the English coast. The Government propose to publish legislation to improve access to the English coast in draft for pre-legislative scrutiny.

Paddy Tipping: Why does the Minister not get two manifesto pledges for the price of one by including access to the coast in the draft marine Bill, which has been anticipated eagerly by the House for a long time? When is that Bill going to be published?

Jonathan Shaw: That is an excellent proposal, so I shall do that, and we shall publish in the early spring.

Hon. Members: It is early spring!

Mr. James Gray (North Wiltshire) (Con): Setting aside the Minister's comment about early spring—it seems to me that we are indeed already in early spring—does he not agree with me that using a rather blunt instrument such as legislation to achieve an end that we all want—greater access to the countryside and the coast—might be a rather clumsy way of doing it? The better way would be by negotiation with individual farmers, such as, leading by example, the owners of the Blackwater estate, in Essex, one mile of which is closed to the public at the moment, with signs up stating, "No access", "Private gardens: go round"—a long way round. The estate is owned, of course, by none other than the Minister's right hon. Friend the Secretary of State.

Jonathan Shaw: The hon. Gentleman talks about access to the coast and the countryside. Of course, we brought in the Countryside and Rights of Way Act 2000, which was not necessarily welcomed at the time by the Opposition, but it certainly has been a great success. We will use legislation to ensure that people have far more access to our wonderful and beautiful coastline. We estimate that some 30 per cent. of the coastline does not have secure access. The hon.

Gentleman talks about a voluntary arrangement. There is a wonderful path round the south-west that he will know, which brings in millions of pounds to the local economy and is enjoyed by thousands of people each year. However, it took 40 years of voluntary arrangements to bring that into position. We think that, using the legislation, we can ensure that things happen a bit more quickly.

Richard Ottaway (Croydon, South) (Con): There is of course still the unresolved issue of small boat access to inland waterways, which the Minister is rightly approaching on a voluntary, rather than statutory, basis. However, that too has been going on for some years. Can he give us a progress report?

Jonathan Shaw: We want to bring these measures forward, and as I said, we will publish the marine Bill and the coastal access Bill in tandem in early spring of this year. We will ensure that there is access to as much of our country as possible. We know that people enjoy walking in the countryside, and it is absolutely essential that they be able to roam where they want to—within, obviously, certain constraints. I will write to the hon. Gentleman on the point that he raises.

Bottled Water

4. **Gordon Banks** (Ochil and South Perthshire) (Lab): What assessment he has made of the environmental effects of the bottled water industry; and if he will make a statement. [193654]

The Minister for the Environment (Mr. Phil Woolas): Evidence suggests that drinking tap water uses around 300 times less energy than drinking bottled water. The Government have therefore decided to phase out the use of bottled water for meetings throughout the Government estate. Of course, it is not for Government to dictate what people should drink; that is a matter of choice for consumers.

Gordon Banks: I share my hon. Friend's aspirations, but may I draw his attention to the recent "Panorama" programme on bottled water—[Hon. Members: "He was in it!"]—and, indeed, to his own comments in it, which I hope were directed more towards imported product than UK-produced product? However, they have had an unwanted impact on companies such as Highland Spring, in my constituency. Will he respond positively to my written request that he visit Highland Spring, and should not the real issue be the environmental footprint of the product, not the product itself?

Mr. Woolas: I thank my hon. Friend for the representations he makes on behalf of his constituency. I can confirm that in addition to his correspondence, I have received a letter from the company concerned, and I shall do my best to respond positively to his request. The policy point he makes is, of course, correct—it is the carbon footprint that counts—and as we move towards the low-carbon world, we shall have to take such decisions on a range of products.

Mr. David Heathcoat-Amory (Wells) (Con): Does the Minister recall that at the time of water privatisation many parts of the green lobby jumped on the bandwagon of opposition on the grounds that drinking water was often unsafe to drink, and, as a result, many people bought foreign bottled water, which had to be brought over here at great expense and cost to the environment before the bottles were subsequently thrown away? Will he be careful about listening to the blandishments of the environmental lobby on this and many other issues, because they are often self-serving and short-term?

Mr. Woolas: The right hon. Gentleman obviously speaks from experience, and I recall that period well. There are always unintended consequences of policy decisions. I can assure him that in making my comments I was not driven by a policy of pandering to any particular point of view. We made a policy decision for environmental reasons and for cost reasons, on behalf of the taxpayer; given his experience, I know that he would support that motive too.

Flooding

5. **Mr. Peter Bone** (Wellingborough) (Con): What progress he has made on implementing the recommendations in Sir Michael Pitt's interim report on flooding. [193655]

6. **Anne Milton** (Guildford) (Con): What progress he has made on implementing the recommendations in Sir Michael Pitt's interim report on flooding. [193656]

The Secretary of State for Environment, Food and Rural Affairs (Hilary Benn): Sir Michael Pitt's interim report contained 15 urgent recommendations for the Government, their agencies and others to take action. We accepted those recommendations and are implementing them. Sir Michael will report on progress in April and his final report will be published in the summer.

Mr. Bone: I am grateful for the Secretary of State's response. The Government are planning to build 52,000 new homes in north Northamptonshire over the next few years, many of which will be on or close to floodplains. Is he a little concerned that the obsession with new housing is outweighing the Government's duty to protect people from flooding?

Hilary Benn: With respect, I would say to the hon. Gentleman that I do not think that there is an obsession with new housing: there is a need for new housing, and that is why the Government are acting. He raises an important question: given that about 10 per cent. of England is located in areas of flood risk, how do we guard against that risk as the new homes are built? That is why we tightened the guidance, not once but twice, most recently in the form of planning policy statement 25. As he will know, the Environment Agency, which is the expert on flooding, now has to be consulted on the matter. I can tell the House that the number of applications for building on floodplains agreed by local authorities contrary to the Environment Agency's advice has fallen significantly in recent years, precisely because of the way in which we have tightened the guidance.

Anne Milton: This is not just about the floodplain itself; it is also about the areas around it. Sir Michael's report states:

"the greater intensity of rainfall and increasing urbanisation are leading to more flash floods caused by water running off the surface of the land."

I still do not understand how the Secretary of State can reconcile those comments with his responsibilities for flooding and these centrally imposed house-building targets, particularly in areas such as my constituency. Such areas are very constrained geographically and are significantly affected by flooding, so the effects are not felt only on the floodplains.

Hilary Benn: I recognise the issue that the hon. Lady raises. I know that there was some flooding in her constituency in January, and I am advised that it resulted from a combination of surface water and river. I gave the answer to her point in answer to the hon. Member for Wellingborough (Mr. Bone). This is about the guidance. The first issue is whether we can adequately defend an area. The second point to make is that it depends on how that is done.

One of the very practical changes that we made when we published the water strategy recently was to withdraw the present ability of house owners to pave over front gardens with impermeable paving without planning permission. In future, if people want to concrete over their gardens in a way that does not allow the water to soak away, they will have to seek planning permission, but if they use permeable paving they can decide for themselves.

Surface water flooding is a real problem, as the events of last summer brought home to all of us, not least in Hull and elsewhere. We have to bring together all the bodies that have responsibility for surface water flooding, and we are consulting on giving the Environment Agency an overview. Local authorities also have an important part to play. We need to think about how we develop in future so that we can build the homes that are needed and deal with the problem to which the hon. Lady draws attention.

Mr. David Kidney (Stafford) (Lab): Sir Michael Pitt's report described the diverse group of organisations with overlapping responsibilities for flooding activities, such as local authorities, water companies, drainage boards and so on, and recommended that the Environment Agency be given the lead responsibility for all water management activity. Does the Secretary of State accept that recommendation? Will it require legislation to put it into effect and, if so, how quickly can that be done?

Hilary Benn: We are indeed consulting on that precise point. Depending on what arrangements we subsequently seek to put in place, legislation might be required, but—as I said in answer to the earlier question—we will in the end need to ensure that all the bodies with responsibility work together more effectively. Some of the functions may be given to local authorities, for example, because those tasks can best be undertaken by them. However, that will be within an overall framework in which someone will have responsibility for bringing together all the things that need to be done so that we can deal with the problem.

Mr. Michael Jack (Fylde) (Con): In a press release dated 4 February, the Department announced that it had put aside £34.5 million that it said might be needed to implement Sir Michael Pitt's recommendations. When the Select Committee probed the Minister for the Environment on whether the Department had done a back-of-the-envelope costing on the total cost of the 72 recommendations, he looked a little uncomfortable. A month has passed since we asked that question: has the Department now costed those 72 proposals? Will more than £34 million be available should it be needed to implement Sir Michael's recommendations fully?

Hilary Benn: My hon. Friend has never looked uncomfortable, so I find that hard to believe. This is a question of prudent planning. The right hon. Gentleman will recognise that we do not yet know what Sir Michael's final recommendations will be. It would not be sensible to allocate all the increased money that we are putting into dealing with flooding and not leave anything to one side to respond to what Sir Michael has to say. We have made a judgment and announced the sum. We will consider what he has to say, and decide how we can use it most effectively.

Miss Anne McIntosh (Vale of York) (Con): The Secretary of State still has some outstanding issues to deal with from the Pitt review, including who is responsible for drains, and what constitutes a drain. Can he clarify whether the £34.5 million is additional to the £800 million, and whether it will be spent on physical defences? How much of the money will be top-sliced by DEFRA before it reaches agencies such as the Environment Agency?

Hilary Benn: The sum of money is part of the increase that we are making available. We have put it on one side for the reasons that I set out in answering the right hon. Member for Fylde (Mr. Jack), who chairs the Select Committee, and we will apply it when we have seen Sir Michael Pitt's recommendations. Because we have put more money in through the comprehensive spending review, the Environment Agency has been allocated sums from that increased amount, which will allow it to get on with building more flood defences over the next three years.

David Taylor (North-West Leicestershire) (Lab/Co-op): The Select Committee is conducting an inquiry into flooding, as the Secretary of State is aware. We have taken evidence from people such as Sir Michael Pitt. In his interim report, he referred particularly to the effects of surface water flooding, which were seen at their worst in Sheffield and parts of south Yorkshire last year. Does the Secretary of State agree with the recommendation that local authorities ought to have direct responsibility for tackling that, perhaps under the overall supervision of the Environment Agency? I have considerable reservations about the recommendation made by my hon. Friend the Member for Stafford (Mr. Kidney) that the Environment Agency should be the overall supremo responsible, because I do not think that it will be able to tackle the problem in that way.

Hilary Benn: It is for precisely the reason set out by my hon. Friend that we are consulting on the best way to ensure that an overall look is taken at the question of

surface water flooding and to work out what the exact allocation of responsibility ought to be. I have already made it clear in answer to an earlier question that I think that local authorities have an important role to play. In the end, we have to come up with a mechanism to ensure that there is co-ordination and an overview, so that there is one plan that everyone will work on implementing together.

Bluetongue

8. **Mr. Philip Hollobone** (Kettering) (Con): What recent steps he has taken to stop the spread of bluetongue. [193658]

The Secretary of State for Environment, Food and Rural Affairs (Hilary Benn): A number of EU member states have been affected by the current outbreak of bluetongue, but the UK was first to place an order for vaccine. Until the 22.5 million doses of vaccine begin to be delivered, probably in May, we will contain the disease as far as possible through movement controls. Those will be stricter when the vector-free period ends on 15 March.

Mr. Hollobone: With my hon. Friend the Member for Wellingborough (Mr. Bone), I recently met the east Northamptonshire branch of the National Farmers Union at Weekley near Kettering. Its members were extremely concerned about the threat posed by the disease. What are the Secretary of State's forecasts for the size and spread of the carrier female midge population now that the weather is warming up? Will he guarantee to this House that there will be enough vaccines in place in time to contain the spread of the disease?

Hilary Benn: I share the hon. Gentleman's concern, as will all right hon. and hon. Members whose constituents are affected by this terrible disease. It is for precisely that reason that I cannot, in all honesty, give him a forecast of the likely nature of the spread. All we need to do is to look at how bluetongue spread across northern Europe and arrived in the UK last summer. As of 7 March, the disease has been identified and confirmed on 101 premises. Vaccination is the only answer, because by definition we cannot do anything about the vector, and the fact is that we were the first northern European country to place the order for the vaccine and we have worked closely with stakeholders in the industry. I pay tribute to the contribution that they have made, and in particular to the NFU, which will lead a campaign to encourage farmers to take up the vaccine.

The vaccine will become available as soon as it can be produced and shown to be safe and efficacious, and then the supplies will arrive and the farmers can buy them and get on with the vaccination process. That is the way to do it. The fact that we have worked together in partnership thus far and will continue to do so in future is, I think, the best comfort that we can offer farmers about how seriously we are taking the problem, along with the practical steps that we have put in place to help them to beat it.

Sir Patrick Cormack (South Staffordshire) (Con): That is all very well, so far as it goes—I do not for a moment dispute the Secretary of State's personal commitment—but I met farmers in Staffordshire last week and there is real concern about whether the vaccine will be on stream in sufficient quantities at the right time. The Secretary of State did not give the guarantee for which my hon. Friend the Member for Kettering (Mr. Hollobone) asked, so what can he do to give confidence to our farmers throughout the country who are faced with this dreadful disease?

Hilary Benn: The guarantee that I cannot give relates to the precise date at which supplies of the vaccine will become available, because that is down to the companies that are researching and manufacturing that vaccine. The House will be well aware of the way in which we have placed our order. I can offer the assurance that we will take all the necessary steps open to us to use our influence to ensure that the vaccine gets out as quickly as possible. That will depend on the science, the production capacity and the speed at which the supplier with which we placed the order can deliver. The ultimate demand, as the hon. Gentleman will recognise, will depend on the take-up of the vaccine by farmers. The decision, rightly, will ultimately rest with them if they want to protect their animals.

Mr. James Paice (South-East Cambridgeshire) (Con): The comprehensive spending review plans to cut £120 million a year from the animal health budget through cost-sharing for the control of bluetongue and other diseases, yet an answer yesterday from the Under-Secretary of State for Environment, Food and Rural Affairs, the hon. Member for Chatham and Aylesford (Jonathan Shaw), suggests the amount might be only a third of that. Given that disease control already costs the farming industry huge sums of money, can the Secretary of State explain how he has arrived at the figure to be obtained through cost-sharing? Does he agree that if farmers are to share the cost of disease control they should be confident that the Government will fulfil their obligations to keep disease out of our country and inside their own laboratories? Otherwise, as Professor Anderson showed on Tuesday, does it not simply look like farmers paying for DEFRA cock-ups?

Hilary Benn: In relation to bluetongue—the hon. Gentleman is not advancing that argument—we are working in partnership with the farming industry, including sharing responsibility for taking decisions about how we are to beat the disease. The farming industry said, "We want a voluntary approach to vaccination." We said, "Okay, that's what we'll do if that's what you want." As for farmers paying for the vaccine, I think that is a fair sharing of the costs in the circumstances.

In relation to the Anderson report, as the hon. Gentleman will be well aware, that release should not have happened and I am determined that it shall not happen again. That is why we have taken steps since then, including changing the regulatory system applying to institutions such as Pirbright and getting on with investment to improve the facilities there, because as he acknowledges it is a world-class facility and we need its expert science to help us to beat the diseases that are in the country at present and those that may arrive in the future.

Mr. Roger Williams (Brecon and Radnorshire) (LD): Given the nature of the bluetongue virus and its method of transmission, the problem will continue to face DEFRA and the livestock industry in years to come. The 22 million vaccine doses that the Government have ordered will not be sufficient for blanket vaccination in the time necessary. Will the Secretary of state take advice and make a risk assessment—an epidemiological assessment—to ensure that the vaccines are used in the places where they will best prevent the spread of the disease rather than on a first come, first served basis?

Hilary Benn: I certainly will. I have been taking advice on precisely that subject. The core group working on the issue is overseeing the strategy for getting the vaccination programme going. I am grateful to the hon. Gentleman for his question; it clearly makes sense to start the programme in the places where it should start first and then roll it out through the rest of the country, which is what we shall do.

Nitrate Vulnerable Zones

9. **Sir Nicholas Winterton** (Macclesfield) (Con): What recent estimate he has made of the costs to farmers arising from the nitrate vulnerable zones regime in England. [193659]

The Minister for the Environment (Mr. Phil Woolas): If nitrate vulnerable zones were extended to cover 70 per cent. of England, the expected costs to industry could be up to £105 million per annum. However, actual costs could be lower depending on how the proposals are implemented.

Sir Nicholas Winterton: Does the Minister accept that 5,000 dairy farms may need to improve their slurry storage to comply with the NVZ action plan that DEFRA has proposed? What consideration is he giving to making the proposals much fairer by being more sensitive to individual farm circumstances and helping farmers comply through giving them a more realistic timetable to meet the regulations, easing planning restrictions and perhaps even providing some limited financial assistance?

Mr. Woolas: The answer to the hon. Gentleman's question is lots and lots and lots. The proposals in the action plan are for consultation. We have received a large amount of correspondence from Members on both sides of the House and there has been a Select Committee inquiry. We are looking at the proposals to consider how we can both fulfil our obligation under the nitrates directive and ensure that we move forward positively, given the representations that have been made.

Mr. David Heath (Somerton and Frome) (LD): Weather conditions over the past week or so have shown how difficult it is to limit slurry spreading to a short period of the year. Can the Minister tell me whether he has got anywhere in his discussions with the European Union about a derogation for UK dairy farmers? That crucial question will ease the plight of many farmers in my constituency.

Mr. Woolas: I would not want to give false hope—that would be irresponsible—but we are working very hard. On the second point that the hon. Gentleman makes, it is too early to say yet. On the first point, he is right: of course, changing weather patterns that are coming about perhaps as a result of climate change—this is a 1991 directive—may change the way in which we have to do things.

Carrier Bags

10. **Martin Linton** (Battersea) (Lab): What progress is being made in reducing the distribution of free single-use carrier bags. [193662]

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Joan Ruddock): As announced in the Budget, the Government will introduce legislation under the Climate Change Bill to enable us to require certain retailers to charge for single-use carrier bags if sufficient progress is not made voluntarily.

Martin Linton: I am sure that we all welcome the Chancellor's announcement. Clearly, he had seen my question on the Order Paper and wanted to ensure that my hon. Friend had a positive answer to give. Given that this is a useful, although small, step along the road, would it be possible to announce the date of the death of the single-use carrier bag and perhaps run a competition to find the best ecological alternative?

Joan Ruddock: I am grateful to my hon. Friend for his interesting suggestions. We have had a voluntary agreement in place with 22 major retailers and six trade associations for the past year to bring about a 25 per cent. reduction in the environmental impact of plastic bags. We have found that only a 7.79 per cent. reduction has occurred in the total number of plastic bags. That is clearly not good enough. So that is why we intend to legislate if we do not make sufficient progress. We will not legislate until such time as we have given the opportunity for that agreement to run its course, but we are very determined to see the end of the single-use free bag at the point of shopping.

Mr. Andrew Mackay (Bracknell) (Con): Does the Minister not understand that the Chancellor's proposals would be much more welcome if the tax raised was ploughed back into environmental charities? Otherwise, it will just look like another stealth tax.

Joan Ruddock: I need to tell the right hon. Gentleman that, of course, this is not a tax; this is a charge—*[Interruption]*—that retailers would be obliged to make. It is very important that he understand that point; it is really important. However, the point that he has spotted is that, of course, that could lead to a serious increase in revenue for those who make the charges. We have had discussions with them. A very good example has been set already: Marks and Spencer, where the money raised is going to environmental causes. That will be what we insist upon.

Topical Questions

T2. [193641] **Mr. Henry Bellingham** (North-West Norfolk) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Environment, Food and Rural Affairs (Hilary Benn): DEFRA's responsibility is to help to enable us all to live within our environmental means. The measures announced in the Budget yesterday will contribute to doing just that. The changes to vehicle excise duty to encourage the purchase of lower emission vehicles, the decision to make all new non-domestic buildings zero-carbon from 2019, the increase in aviation taxation and the auctioning of 100 per cent. of allowances for large electricity producers all demonstrate the Government's determination to act. By this time next year, the UK will become the first country in the world to start operating a national carbon budget.

Mr. Bellingham: Is the Secretary of State not aware that, by this time next year, there will be no pig farmers left in this country, because the pig sector is in crisis? It is wretched news for arable and rural Britain. It is very bad news for Norfolk, where many pig units are folding every day. They do not want subsidies; they want fairness in Europe. Is he aware that 70 per cent. of imported pigmeat is produced in conditions that would be illegal in this country? What can he do to ensure that consumers in this country are properly informed?

Hilary Benn: I take very much the point that the hon. Gentleman makes. The pig sector is having a very difficult time because of the rise in feed prices. I support the campaign that the industry is running to encourage consumers—in the end, consumers are the solution to the problem—to be aware of the problems that face the pig industry in Britain, to choose to buy bacon and pork from Britain, and to have the information that enables them to exercise that choice. That is where the solution lies to the problems that his constituents face, and I am sure that the whole House would want to support them in their endeavours.

T4. [193643] **Ms Katy Clark** (North Ayrshire and Arran) (Lab): The Minister will be aware of the success of feed-in tariffs in several European countries. Given that we need massive expansion of renewable energy, does he not think that it is a path that we should go down?

The Minister for the Environment (Mr. Phil Woolas): I thank my hon. Friend for that very topical question. I mentioned earlier that, as the Chancellor announced in the Budget, and as was confirmed by my hon. Friend the Minister for Energy, we will be examining feed-in tariffs as part of the suite of policies available to us to increase significantly renewable energy in this country. That is what we want to do, and what we will have to do.

T3. [193642] **Simon Hughes** (North Southwark and Bermondsey) (LD): On the day before the Queen opens the fifth terminal at Heathrow, are DEFRA Ministers having any discussions with Transport Ministers, the Chancellor and his colleagues, or any London mayoral candidate, about whether Heathrow needs a new runway? The proposal appears to be opposed by all parties, and by everybody in the areas affected, yet everything that we hear about green policy, green transport, and sustainable development seems not to have any effect when passed to other Departments that have the lead responsibility for the issue.

Hilary Benn: Of course we have discussions with colleagues all the time. The single most important step that has been taken to deal with the contribution that aviation makes to global warming was the decision of the European Union Environment Council in December to include aviation in the EU emissions trading scheme, for which the UK Government have pressed long and strong and hard. That means that, subject to what the European Parliament finally agrees—it is a co-decision matter—aviation emissions in Europe will be capped at the 2004 to 2006 level, so any subsequent growth, whatever the reason for it, will have to result in reduced emissions elsewhere, paid for by the aviation sector. As it is an international industry, the question is whether we apply a cap. That is what Europe is about to do. Any further growth will mean that emissions will have to be saved elsewhere. The world that we are entering will involve us—

Mr. Speaker: Order. I have to say to the Secretary of State that I need a bit of speed in topical questions.

Mr. Peter Ainsworth (East Surrey) (Con): We know from the Anderson report on last year's foot and mouth outbreak, which cost rural businesses and the taxpayer hundreds of millions of pounds, that the outbreak was avoidable. The Secretary of State said today that it should never have happened. We still do not know who is to take responsibility for it, but what does the Secretary of State make of Dr. Iain Anderson's observation that

"The response was not scaleable had there been multiple outbreaks"?

Could he put that into layman's terms?

Hilary Benn: Dr. Anderson was saying that if there were a very large-scale outbreak, the huge amount of resources that we put into fighting the disease would have been more difficult to apply right across the country. The fact is that the disease did not break out all across the country. Why? It was because we acted swiftly and put a lot of resources in. In his report, Dr. Anderson recognises the real progress that was made compared with the 2001 outbreak.

Mr. Ainsworth: I think what Dr. Anderson really meant is that the Government got away with a total disaster by the skin of their teeth. Will the Secretary of State please comment on another of Dr. Anderson's remarks? He talked about the

"wrangling over departmental leadership that"

has

"bedevilled progress in this area".

Has Dr. Anderson not hit on something rather important? Is not departmental wrangling the hallmark of the Department? There is wrangling over flood risk management, aviation expansion, nuclear power, waste policy, and energy policy. Does not the Secretary of State spend his life wrangling with other Departments? We support his wrangles. We like it when

DEFRA is wrangling for the environment, and we wish we had joined-up government, but we would rather that he won one or two of his wrangles.

Hilary Benn: I am grateful for the hon. Gentleman's care and concern for me in my job, but I do not accept that the handling of the foot and mouth outbreak was characterised by wrangling. Indeed, it was close co-operation between a lot of people, including the devolved Administrations and the farming industry, that meant that in the end the outbreak was contained in a small part of southern Britain. When Dr. Anderson summed up what he had found, he said that there was much to applaud, and that the positives outweighed the negatives by quite a margin. That is a judgment that I am happy to accept.

T6. [193645] **Hugh Bayley** (City of York) (Lab): The Committee on Climate Change had its first meeting this week. It has been asked to examine whether the Climate Change Bill should require an 80 per cent., rather than a 60 per cent., reduction in carbon emissions by 2050. I would not like the Bill to become law with the 60 per cent. figure in it, so how quickly will the committee's recommendations be made?

Hilary Benn: The Committee on Climate Change will make its recommendation at the beginning of December. It will consider that issue and whether all greenhouse gases should be included in the target alongside CO_2, and it will advise on the first five-year carbon budget. The Committee on Climate Change is an important, authoritative, independent body. We should let it do its work and give us its guidance, and the Government can take the decision.

T5. [193644] **Dr. John Pugh** (Southport) (LD): What discussions has DEFRA had with the newsprint industry on the environmental cost of the Sunday newspapers, many of which come wrapped in a single-use plastic bag, are heavy to transport, and sometimes have an environmental supplement?

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Joan Ruddock): I am grateful to the hon. Gentleman for the observations that he makes. All of us are conscious that the newsprint industry has increased the amount of reading matter that we are offered and the many layers of packaging around it. I have had discussions with the industry and my officials constantly have discussions with the industry. We are looking all the time for ways in which we can reduce the amount of packaging provided, lightweight the packaging and, where appropriate, make it subject to recycling or composting. The industry has dramatically increased the amount of material that is recycled and the recycled content of new products.

T8. [193647] **David Taylor** (North-West Leicestershire) (Lab/Co-op): We are bombarded daily by images of Buttercup feeding peacefully among the daisies, but in reality, zero-grazed cows permanently confined in the cow version of battery hen production represent 10 per cent. of the national dairy herd. What plans does the Minister have to tackle the welfare and health problems encountered by these stressed, overworked battery cattle, which have high levels of lameness, mastitis, infertility and acidosis?

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Jonathan Shaw): We need to receive reports. We have one of the highest animal welfare levels anywhere in the world, and we are rightly proud of that, whether it is in intensive or organic farming. I know that there have been reports and that concerns have been expressed by some non-governmental organisations, but those reports have yet to reach the Department. If my hon. Friend has such reports and will let me have them, I will pass them on to our animal health agencies. A key aspect is stockmanship. There are rules and regulations on that, which were passed by the House by consensus. If my hon. Friend has information, he should pass it to us and we will examine it.

T7. [193646] **Mr. Michael Jack** (Fylde) (Con): The Minister will be aware of the continuing widespread public concern about whaling. I acknowledge the efforts that the Government have made in the International Whaling Commission, particularly in the context of Japanese attempts to resume full-scale commercial whaling, but given the whiff of compromise surrounding future meetings of the IWC, does the Minister believe that he will be able to maintain a coalition of support to continue to constrain and ultimately stop commercial whaling?

Jonathan Shaw: I am grateful for that question. The right hon. Gentleman will be aware that I asked the Japanese deputy ambassador to come and see me, and I told him exactly what the British public thought. I am sure I represented all Members in the House. We condemn Japanese so-called scientific whaling. Earlier this week I was in Denmark talking to colleagues there and trying to persuade them to stop supporting Japan. Their support is a surprise to us. The views of Denmark and Britain have so much in common, but on this issue they part company. One of the reasons may be that the Faroes and Greenland have aboriginal rights, which we accept, and they have their quota. We will continue to keep up the pressure to ensure that at the IWC we have a majority. That has been welcomed by charities such as the International Fund for Animal Welfare, which I met in Copenhagen earlier this week.

T9. [193648] **John Mann** (Bassetlaw) (Lab): More than 80 per cent. of the cost of Warm Front quotes in my constituency are labour costs. Often workers come in from large distances, requiring contributions from my constituents. Will the Minister consider piloting a scheme whereby some of the work is offered in smaller batches to local contractors?

Mr. Woolas: I am grateful to my hon. Friend for his representations on behalf of his constituents on that important issue. I have taken up his points with the company, and we are willing to look at his suggestions. We have announced that we will look at the cap to see whether what he suggests is required and if so, whether it is at the right level. Ensuring that local suppliers are accessible for the scheme is an important objective.

Bill Wiggin (Leominster) (Con): We heard the Secretary of State say that he believes in cost-sharing. We also heard him say that he has ordered the bluetongue vaccine. Can he tell my constituents how much they should budget for this vaccine, per cow and per sheep?

Hilary Benn: Ultimately, it depends on the size of the bottle that farmers purchase. We are working on an assumption of between 60p to £1 a dose. Those are the figures that we published. I cannot tell the hon. Gentleman with absolute certainty because it depends on when the vaccine becomes available, the quantities and so on, but that is roughly the sort of price on the basis of which farmers can plan in order to protect their animals.

Sammy Wilson (East Antrim) (DUP): Farmers in Northern Ireland, along with pig farmers in other parts of the United Kingdom, have been badly affected by the increase in world grain prices. One of the influencing factors has been the increase in demand for grain because of the demand for biofuels. The Government's own chief scientist indicated that the Government's target of biofuels forming 5 per cent. of fuel used by 2010 needs to be reconsidered. Given the effect on food prices, farming and, ironically, deforestation, have the Government any plans to look again at that ill-advised target?

Hilary Benn: I recently met representatives of the farming industry in Northern Ireland, and we discussed a wide range of topics. One thing that my right hon. Friend the Secretary of State for Transport and I have done is set up a review to look at the precise issue that the hon. Gentleman raises. There is a growing awareness that if we go for the wrong biofuels, there will be all sorts of consequences. It could be even worse for the planet than the fuel we are trying to replace, and it will lead to the other consequences to which the hon. Gentleman refers. That is why we have set up the review. We will look at the results, and we are also pressing in Europe for good sustainability standards so that we can take the right decisions on biofuels in future.

Mr. Desmond Swayne (New Forest, West) (Con): Is there any prospect of the Minister meeting Lymington river users, who are deeply concerned about the decision to have only an appropriate assessment, rather than a full environmental assessment, of Wightlink's plans for new ferries?

Joan Ruddock: The hon. Gentleman will be aware that the appropriate assessment is what is required in this case. There is no requirement for an full environmental impact assessment because of the size and type of the project. The Department has had a request for officials to attend a meeting, which is being carefully considered. There has been a public consultation, and we have to be concerned about the fact that all of the public have been invited to respond. I understand that the meeting is of a small group. We have to bear in mind that consideration, and my officials will attend to that. I have been in discussion with the group recently as a result of the hon. Gentleman's representations.

Business of the House

11.33 am

Mrs. Theresa May (Maidenhead) (Con): May I ask the Leader of the House to give us the forthcoming business?

The Leader of the House of Commons (Ms Harriet Harman): The business for the week commencing 17 March will be:

MONDAY 17 MARCH—Continuation of the Budget debate.

TUESDAY 18 MARCH—Conclusion of the Budget debate.

WEDNESDAY 19 MARCH—Opposition Day [7th allotted day]. There will be a debate on the Post Office on an Opposition motion.

THURSDAY 20 MARCH—A debate on the UK and the Commonwealth.

The provisional business for the following week will include:

TUESDAY 25 MARCH—Opposition Day [8th allotted day]. There will be a debate on an Opposition motion, subject to be announced, followed by a motion to approve the Local Government Finance Special Grant Report (No. 129) (House of Commons Paper No. 256).

WEDNESDAY 26 MARCH—Second Reading of the Local Transport Bill [*Lords*].

THURSDAY 27 MARCH—Topical debate: subject to be announced, followed by motions relating to House business.

FRIDAY 28 MARCH—The House will not be sitting.

Mrs. May: I thank the right hon. and learned Lady for giving us the forthcoming business.

Yesterday, my right hon. Friend the Leader of the Opposition referred to the Government's plan to whip parts of the Human Fertilisation and Embryology Bill through The Leader of the House said on 6 March that she wanted the Bill

"to be fully debated in the House."—[*Official Report*, 6 March 2008; Vol. 472, c. 1929.]

Given the interest in the measure, when will she make a statement on how it will be handled?

Yesterday, the Chancellor delivered the Budget. Yet with accident and emergency departments and maternity services under threat and waiting times increasing, there was not a single reference to the national health service. Will the Leader of the House make a statement explaining why no Health Minister is leading any of the debates on the Budget, and why the Chancellor forgot to mention the NHS?

On Tuesday, it was announced that officials of the Crown Prosecution Service in Leeds had made up the results of court cases involving 12 defendants and 27 offences. They did not know the real sentences but they had to have something to put into their computer system, so they made it up. We are used to the Government losing data, but manipulating data and making them up has dangerous implications for individual citizens. "Nineteen Eighty-Four" was supposed to be a warning, not a model to be followed. The Justice Secretary has made a written statement, but may we have a debate on the issue?

This week, we found out that nine illegal immigrants were given free train tickets by the police and told to make their own way to a detention centre more than 60 miles away. Amazingly, none turned up. The Government go from the incompetent to the absurd. May we have a debate on their failure to manage deportation?

On Tuesday, the independent Anderson review of last year's foot and mouth crisis, which was mentioned in Environment, Food and Rural Affairs questions, concluded that the Government's Pirbright laboratory responsible for the leak was "shabby", "dilapidated" and "badly regulated". Last year's outbreak resulted in the loss of thousands of animals and financial loss to farmers. Now we know that Government incompetence was the cause. May we have a debate on the Anderson review?

Yesterday's Budget was supposed to be a green Budget, but perhaps the Chancellor should have told his Cabinet before telling the public what to do. We found out this week that the Secretary of State for Children, Schools and Families used a Government car to chauffeur him 450 yd down the road to a Labour party function. We found out yesterday that he does not seem to care that the public are suffering from the highest tax burden in our history—a case of "Do as I say, not as I do". Will the Secretary of State come to the House to make a statement on the example that he is setting the nation's children?

Not only is Tony Blair running for EU president, but Peter Mandelson could stay on as EU Commissioner, so the old team of Blair and Mandelson are back in the saddle, this time running Europe. Tony Blair once said that the Labour party will have truly reformed only when it learns to love Peter Mandelson. Will the right hon. and learned Lady confirm that the British Government support that partnership?

The Government have gone from the sublime to the ridiculous: making up court sentences, telling migrants to deport themselves, and showing disdain for the tax burden that they have inflicted on the public. It is little wonder that people now say that it is time for a change.

Ms Harman: The right hon. Lady raised the important matter of the Human Fertilisation and Embryology Bill. As she reminded hon. Members, the Leader of the Opposition raised it yesterday with the Prime Minister, who reaffirmed that the Bill is an important Government measure. It offers the prospect of progress in combating devastating diseases such as multiple sclerosis and Parkinson's, and of improving the treatment for people with life-devastating conditions resulting from spinal injury. As the Prime Minister told the House, the Bill was whipped as Government business in the House of Lords with, of course, free votes on amendments on abortion. The measure arouses strong views among those who are for it as well as those who are against it. We have to respect all those deeply held views and consider how best to ensure that we allow full time for debate in the House. The Bill is a Government Bill, but there are strong feelings in all parts of the House. I will be making announcements on how we will debate the issue in the House, and there will be discussions with all parties.

Mr. Shailesh Vara (North-West Cambridgeshire) (Con): When?

Ms Harman: Shortly. We will ensure that those discussions take place in plenty of time, before the Bill comes to the House, and I can assure the House that there will be plenty of time to discuss it.

The right hon. Member for Maidenhead (Mrs. May) talked about the NHS and said that the Chancellor had failed to mention it in his Budget speech yesterday. Perhaps she was not listening properly, because he said:

"In 10 years, spending on health has almost doubled".—[*Official Report*, 12 March 2008; Vol. 473, c. 289.]

That is certainly the case. Far from the NHS being forgotten, spending has doubled. Indeed, this was announced—*[Interruption.]*

Mr. Speaker: Order. The Leader of the House must be heard.

Ms Harman: So for the future, with a strong economy, a continued ability to invest in public services and a continued priority for public services, which was never shown under the previous Government, we will continue to ensure that our health services improve and that waiting times come down.

I can remember when people had to wait up to 24 hours in A and E at my local hospital, King's College hospital. I can remember when people on waiting lists for cardiac surgery at Guy's hospital died. I can remember a consultant surgeon showing me a waiting list for cardiac surgery on his wall, with names and addresses of my constituents, and saying, "One third of them will die before they get to the operating theatre." That does not happen now, because of our investment, so I will take no lectures from the right hon. Lady about our commitment to the NHS.

The right hon. Lady also mentioned the failures in respect of the outcomes of cases in Leeds magistrates court being notified to the police. This is a very serious matter indeed. The Secretary of State for Justice has made a written ministerial statement and disciplinary action is being considered against those involved. Where there is a case, we must ensure not only that the police investigate it, that the prosecutors bring it to court and that the court secures a conviction against an offender, but that those data are entered into the system so that if the person reoffends, it can be known what they did previously and they can be dealt with and sentenced accordingly. We regard what has happened as a serious matter. It has been a failure and the Secretary of State will bring forward further information after the investigation concludes.

The right hon. Lady mentioned deportation and the Border and Immigration Agency. It is not true that the BIA advised the police to tell illegal immigrants in Cambridgeshire to make their own way to Croydon. With new biometric ID for foreign nationals in this country, which the Conservatives are not in favour of, we will be much more able to keep track of people who are in this country and be sure whether they are legally entitled to be here.

The right hon. Lady talked about foot and mouth, and gave a wrong characterisation of what the report on Pirbright said. Action is under way on that matter and has been taken forward by Ministers.

The right hon. Lady mentioned the British Commissioner to the European Commission. I understand that no decision has been made as yet. When a decision is made, no doubt the House will be notified, but there is no further information that I can give her on that.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): Will my right hon. Friend provide time to debate early-day motion 1172, which is in my name?

[That this House deplores the incompetence and lack of concern of Manchester-based Adactus Housing Association which, informed on 15th January by the right hon. Member for Manchester, Gorton of a life-threatening situation affecting a constituent of the right hon. Member, due to the negligence and lassitude of Adactus, and which led to that constituent having to leave his home for his safety, after two months and nine letters from the right hon. Member has still failed to solve the problem and at one time even offered that constituent £25-worth of B&Q vouchers as full compensation for his intolerable predicament; and calls on the Housing Corporation not only to intervene urgently to bring an immediate end to this totally unacceptable situation but to conduct an inquiry into publicly-funded Adactus and its publicly-funded staff.]

It draws attention to the failure of Adactus housing association in Manchester, for two months, to solve a life-threatening situation affecting constituents of mine, for which it is entirely responsible and for which the only solution it has so far offered is £25 of B&Q vouchers. Will my right hon. Friend not only provide time for debate but ask the Minister for Housing to investigate the matter urgently?

Ms Harman: I shall do exactly what my right hon. Friend asks. I shall refer the matter to the Minister for Housing and ask her to look into it urgently. Adactus is a registered social landlord in receipt of public money, and its obligations are not only to its own tenants but to those in private housing nearby. If such people are affected badly by what has happened, Adactus should take responsibility.

Simon Hughes (North Southwark and Bermondsey) (LD): I thank the Leader of the House for the announcement that there will be a debate next week on the UK and the Commonwealth. I hope that it will become an annual event. I am still waiting, however, for her to tell us when the debate that we have asked for on the new immigration rules will take place. May we debate the nonsensical procedure whereby the Government lay new rules as secondary legislation, with a start date only weeks away, which means that there is no opportunity to debate them before they come into operation? The pretence of parliamentary scrutiny is maintained, but in reality we have absolutely zero chance of influencing the Executive. Even if we vote against the secondary legislation, we do so retrospectively. That would clearly be nonsense even in "Alice in Wonderland", let alone in the British House of Commons.

May we have a debate on the code of admissions for secondary schools in England? The Leader of the House will know that just over 50 per cent. of people in London are getting the school of their first preference. That is the case in her borough and mine. One in 10 families do not get any of the schools that they list as preferences. Is it not about time to review the old Greenwich formula and the rules in London, and to

examine the problem that has now arisen of people buying their way into secondary schools? That is clearly unacceptable, and I hope that the Government will want to close that loophole as soon as possible.

May we have a debate on Lord Goldsmith's citizenship review, which was published the other day? It refers to changing the law on treason, and from the general response it sounded as though Lord Goldsmith was likely to be the last candidate for hanging, drawing and quartering. However, there are serious proposals in the review, as there are in the Government's Home Office paper on citizenship. There are also serious concerns. For example, Commonwealth and Irish citizens who have been here for decades could lose rights, such as the right to vote, in the country that has become their home. May we have a full debate in Government time on that important matter? We have not had a proper debate on it for a long time.

Finally, later this year there will be the usual G8 meeting, which this time will be in Japan. I gather that Development Ministers will soon have a pre-meeting about how we are doing in meeting our millennium development goals, not least on combating HIV/AIDS, malaria and other diseases, for which the figures are getting dramatically worse, not dramatically better. May we have an early debate on that matter, so that the Government can be clear about Parliament's opinion before Ministers go off and negotiate with their G8 colleagues?

Ms Harman: The hon. Gentleman mentioned the long-standing process by which the House deals with orders that are subject to a negative resolution. He said that the debate, and any action, comes retrospectively. That has always been the case, but I will look at him—no, not at him, but at it. I see quite a lot of him already, as he is my constituency neighbour. I shall examine the matter, consider whether a change is needed and consult hon. Members.

The hon. Gentleman mentioned the citizenship review, and I would like to thank Lord Goldsmith for his comprehensive and thought-provoking report. I especially welcome his focus on volunteering as part of people's common bond and commitment to society. There are many sensible proposals there, which we will need to consider, discuss and take forward.

As I understand it, there is no suggestion that those who currently have the right to vote should lose that right. Indeed, our preoccupation is to ensure that all who are entitled to vote should be registered to vote, which many are not, and that those who are registered but do not vote should be encouraged to do so. It is the other way round from what the hon. Gentleman suggests.

The hon. Gentleman mentioned the G8 meeting in Japan and the millennium development goals. I would ask him and the House to accept that, under this Government, our Ministers have led the way in making international development and tackling poverty in Africa an issue for all the wealthier countries of the world and have really put it at the centre of the international agenda. The prevention of HIV/AIDS and malaria are other issues that they have highlighted. We not only set up the Department for International Development, which did not exist before we came into government, but we doubled the aid budget and put the issue on the international agenda, as I said. We had International Development questions and related topical questions yesterday, and there are Westminster Hall debates next week in which the hon. Gentleman may wish to discuss these issues further.

On school choice, it is important that all schools are good schools and that if preferences are being expressed, they should be expressed against that background. We have cut by half the number of failing schools, and an additional £200 million was announced yesterday to improve schools that should be doing better. We need a fair system of admissions. The current code recently put into effect must be complied with and the Secretary of State is on to it.

Mr. David Winnick (Walsall, North) (Lab): My right hon. and learned Friend is doing very well indeed—*[Interruption.]* And I do not want to replace my hon. Friend the Member for Rhondda (Chris Bryant) as her Parliamentary Private Secretary!

Recognising the need to ensure public confidence in the way in which MPs can claim expenses, does my right hon. and learned Friend agree that the first report, which recommended reducing from £250 to £25 the sum for which receipts are necessary, is a welcome step in the right direction? Hopefully, further recommendations will restore public trust in the manner in which we carry out our work and claim public money.

Ms Harman: I thank my hon. Friend for making that point. I think we all recognise that the announcements from Mr. Speaker are necessary to maintain public confidence, but that it is also important for MPs to be able to manage their offices in a sensible and proper way. As my hon. Friend said, further announcements will be made after the root and branch review, which is being led by Mr. Speaker and will be brought back before the House for discussion and decision in July.

Mike Penning (Hemel Hempstead) (Con): Last week, the Leader of the House dismissed calls from many right hon. and hon. Members for a debate on the cuts in maternity services. May I reiterate that call, and at the same time ask for a debate on the cuts to acute general hospitals, such as the excellent Hemel Hempstead hospital, which is a modern acute general hospital where all acute services will close in October this year?

Ms Harman: I think the hon. Gentleman is painting a completely misleading picture. I think we recognise that the way we provide services for—

Mike Penning: On a point of order, Mr. Speaker.

Mr. Speaker: There are no points of order during a business statement.

Ms Harman: I think that the hon. Member for Hemel Hempstead (Mike Penning) has given the House a completely wrong impression about health spending, including in his own constituency. Since 1997, the number of people waiting more than 26 weeks for in-patient treatment in NHS East of England has fallen from 31,000 down to 394. The hon. Gentleman may not be able to remember, because he was not a Member

[Ms Harman]

then, but there were real problems in the health service when his party was in government. Of course there has to be discussion at local level about the configuration of services, but we need to take into account the fact that a reconfiguration of services is taking place against a background of increasing investment and improving outcomes. It is fair enough for the hon. Gentleman to champion the views of his constituents, but let us not misrepresent the situation, as he has done. [*Interruption.*] Oh, sorry, that might have been unparliamentary. I should say, "Let him not give the wrong impression."

Dr. Desmond Turner (Brighton, Kemptown) (Lab): I think we are all probably heartily sick of the press attention being given to our expenses, and particularly of the impression given in much of the media that all this money is for our own personal benefit. We all know it is not, and our staff allowances in particular are absolutely essential if we are to provide the proper service that our constituents look to us to provide. Will my right hon. and learned Friend please give me an update on exactly what is going to happen to our staffing allowances?

Ms Harman: Following a decision in the House on 24 January, Mr. Speaker is leading a root and branch review of allowances provided for MPs, staff and offices. I totally agree with my hon. Friend's point. I think that everyone in the country would agree that legislation must be properly scrutinised and that it is important for the Government to be held to account by the House. That can be done best by MPs who have good staff and properly equipped offices. A strong Parliament is necessary for a strong democracy. Before the House decides the matter in July, I will issue a paper setting out why a strong House of Commons with properly resourced Members of Parliament is necessary for a strong democracy.

Sir George Young (North-West Hampshire) (Con): I very much welcome the statement that the Leader of the House has just made. Last Thursday in her business statement, the right hon. and learned Lady announced that there would be a topical debate next Thursday. In her statement today, that topical debate has mysteriously disappeared. There is no topical debate today and there was no topical debate last week. When they started, we had one topical debate a week, but we are now down to one a month. Has March really been so uneventful that the Leader of the House cannot think of one single subject to bring to the House for a topical debate?

Ms Harman: We wanted to have an extensive debate on international women's day. We thought that the subject of women was topical on international women's day, so we rolled up the topical debate with the international women's day debate. Crowds of Members wanted to contribute to that debate, which was a very good one. That explains last week.

This week, we have had the Budget, and many hon. Members thought that it was topical and did not want to cut into that debate by having another topical debate. We have deemed the Budget to be topical this week, which is why there is no topical debate today. As for next week, we have had a number of representations—not least from the hon. Member for North Southwark and Bermondsey (Simon Hughes), among others—to have a debate on the Commonwealth. Next Thursday provides an opportunity for a debate on the UK and the Commonwealth, so we have deemed that to be the topical subject for next week.

We are going to review the matter of topical debates. We have no axe to grind; this is Government time, and we want to allot Government time to enable the House to debate what is topical. As I say, we are reviewing the matter, and if anyone wants to make representations, will they please do so?

In response to my hon. Friend the Member for Brighton, Kemptown (Dr. Turner), I should add that a letter is being sent by the finance and administration department, reminding Members that the resolution passed on 24 January—that we should accept the Senior Salaries Review Body report, recommending a move from 3 to 3.5 staff—will be implemented and will come into force by 1 April.

Clive Efford (Eltham) (Lab): My right hon. and learned Friend may recall that we used to have an annual debate on the Floor of the House about the budget for the Metropolitan police. Given the national importance of the Metropolitan police, will she consider arranging an urgent debate on the Floor of the House, particularly in the light of the threats made to its budget by the hon. Member for Henley (Mr. Johnson) in the mayoral election campaign? Perhaps he will actually turn up for that debate in relation to London.

Ms Harman: I accept my hon. Friend's suggestion that we should have a topical debate on policing in London. Those of us who are London Members have campaigned long and hard to improve policing in London and the provision of police community support officers. Does he remember the hon. Member for Henley (Mr. Johnson), who represents a constituency in Oxfordshire, joining the campaigns for more police and police community support officers in London? He was nowhere to be seen. Lately, he has joined in—and his contribution to the debate is to say that there is "too much spending". My hon. Friend's suggestion may well be topical, and I will add it to the list.

Justine Greening (Putney) (Con): May we have a debate, finally, on Heathrow expansion? According to reports in the Sunday newspapers, the Environment Agency says that the expansion could lead to increased morbidity and mortality rates around the airport. Papers that I have obtained under the Freedom of Information Act show possible collusion between BAA and the Department for Transport. Is it not time that the Secretary of State for Transport had the guts to come to the Chamber and debate the matter with Members of the House?

Ms Harman: The accusations of collusion are utter nonsense. The Government's position is to support a third runway at Heathrow in principle, provided that strict local environmental and noise conditions are met. If the hon. Lady was at Environment, Food and Rural

Affairs questions half an hour or so ago, she will have heard the issue being raised and the House being reminded that all decisions on adding capacity at Heathrow will be taken independently by BAA.

Mike Gapes (Ilford, South) (Lab/Co-op): May we have a debate on transport in London, to allow us to consider the improvements in buses, the modernisation of the tube, the threat to the freedom pass that still comes from some London boroughs, and the threat from the buffoon from Oxfordshire to the improvements made in London's transport over the past eight years.

Ms Harman: I agree with my hon. Friend that one of the reasons why London has taken such strides forward is the improved transport infrastructure—not just buses, but the tube. The hon. Member for Henley, who represents a seat in Oxfordshire, did not turn up to vote on Crossrail, so it is no wonder that he does not understand the figures, and that his proposals for London transport are short of the required funding by £100 million.

David Howarth (Cambridge) (LD): Will the Leader of the House tell us how likely it is that we will have a statement next week on the future role of the Attorney-General? That would allow us not only to clear up the general issue, with stories circulating about the Government offering extra powers to direct prosecutions to the Law Officers, as well as specific cases such as the Serbian utilities fraud case, in which it appears that the Law Officers are yet again sitting on a foreign corruption investigation.

Ms Harman: In "The Governance of Britain", the Prime Minister said that the role of the Law Officers is one of the constitutional issues on which he wants us to consider proposals for change. Discussion is under way, and a constitutional reform Bill will come out in draft. If legislative proposals arise out of the discussions on the Law Officers, those can be contained in that Bill. If the hon. Gentleman and other Members want to make proposals about how the Law Officers should operate, they should direct their suggestions to the Secretary of State for Justice—*[Interruption.]* I am glad that he has already done so.

John Robertson (Glasgow, North-West) (Lab): Will my right hon. and learned Friend find time for a debate in Government time on the ring-fencing of moneys sent to devolved areas? It has been brought to my attention by many groups that money, such as that for disabled children, is not getting to those for whom it is intended, and is falling into the current Administration's black holes. Such minority groups cannot speak up for themselves in numbers in the way in which the devolved Governments do.

Ms Harman: I will consider my hon. Friend's proposal. As a Government, we regarded it as important to get to all parts of the United Kingdom sufficient public investment, so that all those with particular needs had those needs met by the public authorities. Obviously, it is of great concern indeed if those for whom resources are supposed to be made available do not get them, perhaps because the matter is not being handled properly. We must make sure that the money actually gets to the most vulnerable, as everyone in the country agrees that it should.

Sir Nicholas Winterton (Macclesfield) (Con): The 57th seminar on parliamentary practice and procedures at Westminster, organised by the Commonwealth Parliamentary Association UK branch, ends tomorrow. It has been an outstanding success and the Speaker himself has contributed to that success. I fully support the announcement by the Leader of the House of a debate on the UK and the Commonwealth, but why, after all this time and many requests from both sides of the House, has she not found time for a debate on Zimbabwe, where elections will occur in the near future? The future of that country, and its prosperity and peace, depends on the outcome of those elections.

Ms Harman: It is not for me—it is for the Speaker—to decide what will be in order within that debate, but it may be possible to raise those points in the debate on the Commonwealth on Thursday. I pay tribute to the CPA UK branch and to all hon. Members who participate in that important work. We will keep the matters raised at the forefront of our minds.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): May we have a debate on the future economy of the highlands and islands? My right hon. and learned Friend may be aware that the Convention of the Highlands and Islands met for years even before devolution, but I have been informed by the local MSP, David Stewart, that UK Ministers will no longer be welcome at that convention. That decision was taken by the minority-led Scottish National party Administration. Will she therefore raise the matter with the appropriate UK Minister, to make sure that the highlands and islands do not become a plaything of the SNP?

Ms Harman: I will certainly raise the matter, as will people in the communities of the highlands and islands, who know that questions of tax policy, benefits policy and energy policy are all crucial. Highlands and islands people want to have a say, so UK Ministers need to be involved. It is disappointing and disreputable if politics is played with devolution, instead of local people in the highlands and islands being allowed to have a proper say in decisions that will affect them.

Peter Luff (Mid-Worcestershire) (Con): May I press the Leader of the House on when we can expect a Second Reading debate on the Human Fertilisation and Embryology Bill? Will she bear in mind that the Joint Committee report on which the Prime Minister relied so heavily yesterday recommends free votes on both the use of hybrid embryos and the so-called "need for a father" provision?

Ms Harman: I recognise that there has been a great deal of debate and discussion within the Select Committee system, as has been acknowledged in the House of Lords. The points raised by the hon. Gentleman will no doubt be raised when the Bill comes to this House for scrutiny.

Mr. Gordon Prentice (Pendle) (Lab): Am I the only person to be concerned about the fact that the royal courts of justice are being hired out to commercial organisations for after-hours parties and other corporate functions? I wonder what the judges, who

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may be burning the midnight oil working on judgments, think about that. May I invite the Leader of the House to bring the Secretary of State for Justice to the House to explain the policy on hiring our courts to commercial organisations?

Ms Harman: I will ask my right hon. Friend the Secretary of State for Justice to write to my hon. Friend informing him of the position, but I am sure that, whatever is happening, parties are not being held in the judges' corridor.

Mr. Roger Gale (North Thanet) (Con): On far too many occasions when the Prime Minister is at the Dispatch Box, he finds it necessary to express condolences on the death of another British man or woman serving overseas. He says that a debt of gratitude is owed to those people and their families, but unfortunately that debt does not yet translate itself into funding for families' legal representation at inquests.

The Ministry of Justice continues to say that inquests are not trials and that therefore no legal representation is necessary, but this week the Department told me in a written answer that so far it had spent more than £1.5 million of taxpayers' money defending its own backside at inquests, while the families must grovel for legal aid which very few of them receive. May we have a debate on the Floor of the House—not in Westminster Hall—so that we can discuss the Government's failure to implement the spirit of the undertaking given by Prime Minister Blair in December 2006?

Ms Harman: I sympathise with the spirit of what the hon. Gentleman has said. We are all aware that if someone appears before a criminal court, not only the prosecution but the defence is legally represented, and if someone is brought before a civil court, not only is the claimant represented but the defendant can access legal aid. However, owing to the unique and ancient structure of the coroners' courts and their inquisitorial basis, they have been within the purview of legal aid only on exceptional occasions.

I agree with the hon. Gentleman that if bereaved relatives with no legal representation turn up on the steps of a coroner's court and find that the Ministry of Defence and the Army have a great battery of solicitors and QCs, they cannot help but feel that the position is unfair. The MOD is very concerned about the issue, which will be considered during debate on the Coroners Bill. We need to give bereaved relatives at inquests a real sense of fairness and support.

Ms Sally Keeble (Northampton, North) (Lab): Is my right hon. and learned Friend aware of an excellent report produced by the Joint Committee on Human Rights on the use of restraint on children, and of a campaign launched by the National Society for the Prevention of Cruelty to Children, INQUEST and others on the same subject? May we have a debate on the terrible use of techniques that deliberately inflict pain on children in secure accommodation throughout the country?

Ms Harman: Ministers in the Ministry of Justice are considering the law and practice relating to restraint, particularly as it applies to children. A case in my hon. Friend's constituency and the findings reported by the coroner have highlighted the issue, and the Ministers will doubtless report to the House when their consideration is completed.

Mr. Alistair Carmichael (Orkney and Shetland) (LD): What is it going to take to get the Secretary of State for Transport to come to the House and make a statement about the situation in the Maritime and Coastguard Agency? Last week the coastguards, who constitute an emergency service, went on strike. There was no statement in the House, and the Secretary of State did not even issue a press release. Would the Leader of the House tolerate such ministerial indifference if this were one of the emergency services—the fire brigades, the police or the ambulance service—that serve her constituents?

Ms Harman: I know that the hon. Gentleman raised the issue yesterday during Prime Minister's questions. We all agree that the Maritime and Coastguard Agency provides very important services, not only in saving lives but in protecting the environment. This is a matter of concern, which is why the agency has implemented contingency plans to prevent any threat to shipping or life during the strike.

We hope that this dispute will be settled, but I will ask my right hon. Friend the Secretary of State for Transport to consider whether she needs to give the House further information, and how such information should be provided.

Keith Vaz (Leicester, East) (Lab): May we have a debate or a statement on the Government's policy on removal of individuals to Iran, following the case of Mehdi Kazemi? He was refused asylum in this country; his application for asylum has now been refused in Holland, and he says that he will go to his death because of his sexual orientation. Surely discretion should be exercised in such cases. May we have a debate on such issues, which directly affect the lives of individuals?

Ms Harman: My right hon. Friend is, of course, Chair of the Home Affairs Committee. It is possible for him and other hon. Members to make representations on that or any other individual case, but meanwhile he should be assured of our total opposition to the death penalty in any country in the world. We are in favour of the full human rights of all people, regardless of their sexual orientation. No doubt the case that he has raised will be examined carefully in the light of representations and evidence.

Mr. John Randall (Uxbridge) (Con): May I echo the call from my hon. Friend the Member for Putney (Justine Greening) for a debate on Heathrow in Government time? Serious allegations were made in *The Sunday Times* about collusion with Department for Transport officials and, possibly, Ministers. If the Leader of the House is so confident that they are rubbish, is it not about time that the Secretary of State for Transport came to the House and we were allowed a proper debate, or even an oral statement? So far we have had nothing.

Will the Leader of the House also confirm what I think she said a few moments ago—that the responses will be examined independently by BAA?

Ms Harman: I can save my right hon. Friend the Secretary of State the necessity of coming to the House by reaffirming to the hon. Gentleman that the accusations of collusion are utter nonsense, and that that is the Government's position.

Kelvin Hopkins (Luton, North) (Lab): It is estimated that musculoskeletal problems cost the economy some £12 billion a year in lost working days, national health service treatment and benefit payments. GPs typically prescribe bed rest and painkillers when osteopathic treatment and diagnosis might be more helpful, and, indeed, could make a great contribution to solving the problems. Sadly, however, osteopathy is generally available only to those who can pay. Will my right hon. and learned Friend consider allowing a debate on what osteopathy can do for patients, and how it can be provided more generally in the NHS?

Ms Harman: I will bring my hon. Friend's question to the attention of my right hon. Friend the Secretary of State for Health, but he may wish to seek a debate in Westminster Hall.

Sammy Wilson (East Antrim) (DUP): Last week the Minister of State, Department for Culture, Media and Sport, the right hon. Member for Barking (Margaret Hodge), attacked that wonderful British institution, the last night of the proms, on the grounds that it did not make everyone feel at ease. I have received many letters from constituents who enjoyed the BBC's presentation of the event last year in Carrickfergus in my constituency, when people from all walks of life and of all ages experienced a magnificent night against the background of Carrickfergus castle. Will the Leader of the House arrange a debate so that the Minister can explain her remarks, which seem to be at variance with the views of the Prime Minister, the House and millions of people?

Ms Harman *rose—*

Several hon. Members *rose—*

Mr. Speaker: Order. Before the Leader of the House responds, I should point out that a number of Members wish to ask questions, and I can only allow them to do so if they ask brief questions rather than making speeches.

Ms Harman: I shall try to make my answer very brief, Mr. Speaker.

My right hon. Friend the Minister of State answered questions on this issue in the House on Monday. On the previous Thursday, I paid tribute to the last night of the proms in Scotland, Wales and Northern Ireland, and in Hyde park. We all agree that all our great cultural institutions are important, but that they should work together to ensure that they become more inclusive.

David Taylor (North-West Leicestershire) (Lab/Co-op): As chair of the all-party parliamentary group on smoking and health, may I ask the Leader of the House to provide time for a debate on the sale of tobacco products to under-age children, and on licensing measures to protect them? My noble Friend Lord Faulkner has tabled an amendment to the Criminal Justice and Immigration Bill requiring the Secretary of State for Justice to report to Parliament on the effectiveness of the existing measures to prevent under-age sales. A debate on a positive licensing system for tobacco retailers would be a step towards tackling our present difficulties.

Ms Harman: Important light has been shed on that matter, because national no smoking day has fallen during this week, I congratulate my hon. Friend on the work that he has led, which has fed into Government policy and is saving lives. I will bring his further points to the attention of Ministers.

Mr. Nigel Evans (Ribble Valley) (Con): Following on from what the Leader of the House just said about Mehdi Kazemi, may we have a debate on early-day motion 1180?

[That this House is concerned by the case of Iranian teenager Mehdi Kazemi who is currently living in Holland; notes reports that Mr Kazemi's boyfriend was forced by Iranian authorities to denounce other gay men, including Mr Kazemi himself; is appalled at reports that Mr Kazemi's boyfriend was then hanged for the offence of homosexuality; believes that Mr Kazemi's life is in serious danger if he were returned to Iran; further notes that the Dutch authorities have rejected Mr Kazemi's appeal for asylum in Holland and are likely to deport him to the UK; believes that the Home Office view that Iran is safe for homosexuals as long as they hide their sexuality is contrary to human rights standards on sexual freedom; and calls on the Government to uphold its asserted position as a supporter of human rights by refraining from sending Mr Kazemi back to Iran and near-certain human rights abuses.]

Last year, an Iranian MP told me that if gays practise in private, nobody knows, but that if they do not, they face torture. I reminded him that they face not torture but execution—perhaps with torture prior to that. Since the ayatollahs took control in Iran, more than 4,000 gay men and women have been executed, some of them publicly. Surely we are not even thinking of sending a gay Iranian back to Iran, where he would face humiliation, torture and execution?

Ms Harman: No one will be deported to face execution or violation of their human rights. Such matters are addressed on a case-by-case basis taking account of the individual concerned and the circumstances in their country of origin.

Mr. David Chaytor (Bury, North) (Lab): Two weeks ago, I asked my right hon. and learned Friend for a debate on school admissions, and I therefore support the call made by the hon. Member for North Southwark and Bermondsey (Simon Hughes). Last week, the allocation letters were sent out to parents, and a large proportion of them got their first choices. This week, however, the Secretary of State issued a written statement documenting some abuses of the new code of admissions by individual schools. Does my right hon. and learned Friend therefore agree that that would be an ideal topic for a topical debate?

Ms Harman: My hon. Friend will have an opportunity to ask a topical question on Monday, when school admissions can be raised with the Department for Children,

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Schools and Families ministerial team. We must ensure that the new processes governing fair admissions are effectively enforced.

Mr. David Heath (Somerton and Frome) (LD): May we have an urgent debate on the future of medical general practice? Private sector polyclinics may or may not be right for urban areas, but they are certainly no substitute for an NHS general practice clinic in rural areas such as mine.

Ms Harman: The hon. Gentleman will have an opportunity to put that point in topical questions during oral questions to the Department of Health ministerial team on Tuesday. There is no suggestion that polyclinics provide a one-size-fits-all solution. They arose as a response to concerns about how to improve primary care in London, and they will certainly not be imposed unilaterally without local support.

Mr. Andrew Mackay (Bracknell) (Con): Turning to the Human Fertilisation and Embryology Bill, and bearing in mind that the Leader of the House and I have been veterans of much similar legislation over the years and that we have usually been on the same side of the argument, may I put it to her that it is in the interests of this House that when there are issues of conscience, as there are in respect of this proposed legislation, there should be free votes on both sides? The Conservative party and the Liberal Democrats are having a free vote; why are the Government party not doing so?

Ms Harman: It is for each party to decide their whipping arrangements—and, indeed, whether there will be whipping. I should also say that strong beliefs and conscience are not the sole preserves of those whose views are rooted in religious concerns; I have strongly held views, as does the right hon. Gentleman. We must take all these issues into account, and ensure we make progress on this important Government Bill.

John Bercow (Buckingham) (Con): In response to representations on the Human Fertilisation and Embryology Bill from many Members over a period of several weeks, the right hon. and learned Lady has indicated a willingness to be flexible on time allocation; that is moderately welcome although decidedly unspecific, and greater specificity soon would be appreciated. As there is a principle that we should have plenty of time to debate controversial matters, may I invite the right hon. and learned Lady to make a statement next week informing the House when we will address the much delayed Counter-Terrorism Bill, and to confirm that there will be generous consideration of its more controversial provisions in a Committee of the whole House?

Ms Harman: We might well have got on to the Counter-Terrorism Bill—and, indeed, the Human Fertilisation and Embryology Bill—sooner had we not been having hours and hours of debate over weeks and weeks on Europe. *[Interruption.]*

Mr. Speaker: Order. Let the Leader of the House speak. *[Interruption.]* Well, she is entitled to criticise herself, if that is what she is doing.

Ms Harman: I am sorry, Mr. Speaker; it was a big error even to mention Europe, and I will be grateful if Members ignore the fact that I did so. Many Members mentioned the Human Fertilisation and Embryology Bill not only last week, but this week as well, and I reassure the House that it has certainly registered higher on the Richter scale as a result of their mentioning it.

Mr. Ian Liddell-Grainger (Bridgwater) (Con): Somerset county council has recently signed up to an organisation called Southwest One, along with Taunton Deane borough council. It has cost us in Somerset £400 million, with IBM as the lead contractor, but Avon and Somerset police have had to be bribed to join because nobody else wants to do so. That is a colossal waste of public money, which will be a long-term problem for the taxpayers of Somerset. It is being led with no consultation with local people or with other councils. How will it work? May we have a debate on how such organisations can make any sense at all?

Ms Harman: I am not entirely clear about the hon. Gentleman's point, but he clearly regards it as very important to his constituents and his region. I ask him to pop in to see me after questions to explain it, so we can work out what needs to be done about it.

Mr. Roger Williams (Brecon and Radnorshire) (LD): Last weekend in my constituency, I visited pensioners living in council accommodation who have switched off their heat supply because they depend on liquefied petroleum gas, which is much more expensive than mains gas. Will the Leader of the House ensure that a Minister comes to the Dispatch Box to make a statement on fuel poverty and the Government's failure to reach their targets, so that Members can raise the specific issue of those households that depend on LPG and heating oil for their heating?

Ms Harman: Fuel poverty and insulation are important priorities for the Government. We are concerned that the least well-off who use meters have been paying a higher amount per unit for their fuel and heating, and we will sort that out. In the Budget, we have increased the winter fuel payments by £50 for those over 60 and £100 for those over 80. We are also stepping up our insulation programmes. I welcome the fact that the hon. Gentleman has raised that point, and I will bring it to the attention of my hon. Friends.

Mr. Stewart Jackson (Peterborough) (Con): May we have a debate on fairness in parking charges? As a result of a freedom of information request by the Peterborough *Evening Telegraph* this week, we learned that 1,436 penalty charge notices to non-UK registered vehicles have been written off, which is more than 80 per cent. of the total. By contrast, 63 per cent. of UK-registered vehicles' penalty charges have been paid. This is evidently an example of great unfairness, and my constituents are right to raise the issue with me. When can we regularise that situation and have fairness in the payment of parking tickets?

Ms Harman: I will bring that to the attention of my hon. Friends in the relevant Departments.

Mr. Philip Hollobone (Kettering) (Con): Today is world kidney day, and the Northamptonshire Kidney Patients Association is supporting it with a display stand in the Newlands centre in Kettering to promote public awareness of renal failure and of the groups of people who are most at risk. While applauding the association for its endeavours, will the Leader of the House also arrange for the Secretary of State for Health to make a statement to the House about what is being done to promote renal treatment in this country?

Ms Harman: I will ask my right hon. Friend the Secretary of State to write to the hon. Gentleman, and I take this opportunity to pay tribute to the kidney patients association that covers my constituency in south London.

Points of Order

12.30 pm

Mr. John Hayes (South Holland and The Deepings) (Con): On a point of order, Mr. Speaker. The Leader of the House mentioned Europe a few moments ago. You will recall that we spent a number of days considering the Lisbon treaty, which is designed to steal from this House and the people whom we represent many of our cherished freedoms and rights. I seek your guidance, because in doing so much of the treaty was not considered, many amendments were not reached and the line-by-line scrutiny that we usually enjoy in Committee did not take place. Given that the British people are to be denied the referendum that they were promised and now crave, how can that be put right and how can we avoid repetition of such a parody of parliamentary scrutiny?

Mr. Speaker: That is definitely not a matter for the Chair.

Mr. John Baron (Billericay) (Con): On a point of order, Mr. Speaker. I seek your guidance on an issue very important to my constituents. On Tuesday, during Justice questions, I raised the fact that an organisation called ClearSprings is creating open prisons across Basildon district by buying residential properties and converting them. The Minister of State, Ministry of Justice, the right hon. Member for Delyn (Mr. Hanson), responded by saying that Basildon district council had failed to use its veto. I have subsequently been assured by the council that that is not the case, that it made clear its universal opposition in writing at the earliest possible moment and that it was told that the Ministry of Justice would ignore that anyway. The Minister of State appears inadvertently to have misled the House, and I seek your advice—

Mr. Speaker: Order. When such a matter comes up during a debate, it is open to any hon. Member to go back to his or her local authority and get the facts. The hon. Gentleman can pursue that matter by going to the Table Office and seeking to put down questions, now that he has extra facts. It is not for me to be drawn into this argument.

Mr. Andrew Robathan (Blaby) (Con): On a point of order, Mr. Speaker. This is definitely one for you, Sir. At column 299 of yesterday's *Hansard*, the Secretary of State for Children, Schools and Families made a sedentary intervention, allegedly saying, "So weak!" Apart from the fact that he is out on his own in thinking that my right hon. Friend the Leader of the Opposition was making a weak speech, a large number of people on this side and in the Gallery—journalists—heard him say "So what?" There is a site called YouTube on the net, Mr. Speaker, and you can listen to the video. I reckon that I can hear "what" being said. Could you arrange for the editor of the *Official Report* to tell the House whether, or to make a statement as to whether, the Secretary of State or anybody on his behalf approached *Hansard* to have it doctored?

Mr. Speaker: I have checked with the Officers of the House and they tell me that they are satisfied—more important still, the editor of *Hansard* is satisfied—that it is a correct record of yesterday's proceedings.

Mike Penning (Hemel Hempstead) (Con): On a point of order, Mr. Speaker. I seek your advice. During business questions, the Leader of the House accused me and smeared me by saying that I had misled the House in a statement that I had made. This is a smear on my character, and I ask for it to be withdrawn.

Mr. Speaker: I think that the Leader of the House said that it was a misleading picture that the hon. Gentleman—*[Interruption.]* He is saying no, but my hearing is excellent—I can assure you of that—and it was a "misleading picture". That is different from saying that the hon. Gentleman was misleading the House. Perhaps now he can go up to the Gallery and see the draft record; that would be helpful to him.

Orders of the Day

WAYS AND MEANS

Order read for resuming adjourned debate on Question [12 March].

AMENDMENT OF THE LAW

Motion made, and Question proposed,

(1) That it is expedient to amend the law with respect to the National Debt and the public revenue and to make further provision in connection with finance.

(2) This Resolution does not extend to the making of any amendment with respect to value added tax so as to provide—

(a) for zero-rating or exempting a supply, acquisition or importation,

(b) for refunding an amount of tax,

(c) for any relief, other than a relief that—

(i) so far as it is applicable to goods, applies to goods of every description, and

(ii) so far as it is applicable to services, applies to services of every description.—*[Mr. Darling.]*

Question again proposed,

Mr. Speaker: I call Chris Grayling. *[Interruption.]* It is Mr. George Osborne.

Budget Resolutions and Economic Situation

12.33 pm

Mr. George Osborne (Tatton) (Con): It is good to open this debate and it is a pleasure to do so, as is traditional, on the first full day of the Budget debate. May I say how happy we are that we have been joined by the Secretary of State for Work and Pensions? He is one of a number of young Turks angling to deliver next year's Budget, so we will see how he does today. It is good that he has been supported by so many members of the Labour party who have come to back up the Chancellor's Budget just 24 hours after it was delivered.

It is indeed 24 hours since the Budget, and now the whole House has had an opportunity to examine not what the Chancellor said yesterday, but what he actually did in the Budget: to examine how, for example, the tax on so-called gas guzzlers is going to hit 70 per cent. of all cars sold; to understand how the tax on so-called binge drinking will hit 43 million drinkers; to get some explanation for how a Budget that was supposed to help business and enterprise actually has, according to the Red Book, £1.7 billion of new taxes on business; and to expose how a Labour Government whose sole claim to office was their ability to manage the economy have managed to leave Britain so ill prepared for the economic slow-down.

The Chancellor of the Exchequer said something extraordinary on the radio this morning. He was asked by the presenter, "Do you wish you had more room for manoeuvre?" He replied, "Well, we are where we are"—*[Interruption.]* Ah, the Chancellor has just arrived. I am grateful to him for appearing at this debate. I was just quoting from what he said on the radio this morning. He was asked, "Do you wish you had more room for manoeuvre?" He replied, "Well, we are where we are...er, you can only deal with the economy as you find it." However, that prompts the question, who left him the economy that he now finds himself managing? Whose fault is it that we are where

we are? The answer, of course, is the Prime Minister—the author of this Budget in every sense of the word.

Let us imagine for one moment that the Prime Minister, in his long years as Chancellor, had set aside something for a rainy day. Let us imagine—I know it is a fantasy—that like other Finance Ministers in other countries, he had used the 15 years of global economic growth to reduce the budget deficit or even to build up a surplus. Let us pretend that he actually meant what he said when he promised prudence with a purpose, and had used the good years to prepare for the difficult years. I know that it is difficult to take that leap of imagination today, but let us try. If the Prime Minister had done those things as Chancellor—if he had actually demonstrated the economic competence that he boasted of, if he had fixed the roof when the sun was shining—let us consider what yesterday's Budget would have looked like.

There would probably have been a big fiscal stimulus package. We would be discussing a reduction of taxes on entrepreneurs, investors and businesses. There would be measures to put money into the pockets of families facing a rising cost of living. We would be discussing a cut in family taxes, not an increase. All these things are happening in other countries. They are happening in the United States, and they are happening because those countries can afford to do them. *[Interruption.]* The hon. Member for Rhondda (Chris Bryant) asks whether the United States is the only country that I can think of. No, in fact. There is Sweden, with its 2 per cent. budget surplus, Spain, with its 1.5 per cent. budget surplus, Australia, with a 1 per cent. budget surplus, and there are Denmark and Ireland. I could go on through a list of European countries.

We could even be considering—who knows?—where Britain's new sovereign wealth fund was to make its first investment. Instead, what are we debating? We are debating a 3 per cent. budget deficit, £140 billion of borrowing, tax rises on business and measures that take money out of family pockets.

Angela Browning (Tiverton and Honiton) (Con): Does my hon. Friend also agree that, had the Prime Minister not sold the gold when he did and at the rate he did, we would have £4 billion to look at this in this Budget that we do not have now?

Mr. Osborne: My hon. Lady is right. He achieved—

Chris Bryant (Rhondda) (Lab): My hon. Lady?

Mr. Osborne: I thought that the hon. Gentleman was a great fan of modernising Parliament; now he is picking me up on my language. My hon. Friend, the hon. Lady, is absolutely right. The previous Chancellor managed to sell gold at the very bottom of the market. Indeed, the gold traders now call the price at which gold hit its lowest "Brown's bottom". Of course, gold might push through $1,000 in the next few days.

Ms Karen Buck (Regent's Park and Kensington, North) (Lab): While the hon. Gentleman is on the subject of fixing roofs, will he comment on the roofs that have been fixed through investment in places such as my constituency, where there are three new schools at £30 million a piece, a new £100 million college and a £184 million Building Schools for the Future programme, and where every council and social house has been renovated through the decent homes initiative? Is he saying that he regrets, and would never have implemented, that programme of investment?

Mr. Osborne: In London, I live in the hon. Lady's constituency. I am well aware that the people whom she represents will be among those hit by the abolition of the 10p starting rate, upon which she will be asked to vote next week.

We were discussing economic incompetence—*[Interruption.]* I am coming to education spending, because I shall tell Labour MPs about something that they have not woken up to about this Budget. We were discussing this Labour Government's economic incompetence and how it has left Britain with no room for manoeuvre. If this Chancellor was running for President, on the basis of that Budget his campaign slogan would be, "No, we can't." His tactic yesterday was to say that he had no room for manoeuvre and to blame the world economy. It is funny how this lot take the credit for 10 years of global economic growth and then blame everyone else when it slows.

It is the job of any Government to prepare for high oil prices or problems in the financial markets. It is not the fault of some sub-prime estate agent in Mississippi that we enter a downturn borrowing £36 billion—it is the fault of the Prime Minister. It is not the fault of Wall street bankers that we have the highest tax burden in our history—it is the fault of the Prime Minister. It is not the fault of some capitalist conspiracy that 5 million of the lowest-paid people in Britain face a tax increase this April—it is the fault of a Labour Prime Minister who is trying to fix his economic problems on the backs of the poor. His job in the 10 years that he was Chancellor was to prepare for when the global economy hit problems, and he failed.

Mr. Oliver Heald (North-East Hertfordshire) (Con): Does my hon. Friend agree that when there are global inflationary pressures most sensible Governments try to cut taxes, not increase them?

Mr. Osborne: My hon. Friend is right. He is also right in the sense that it is not clear that any other major economy's response to the global economic problems is a significant increase in taxation. I cannot think of any Finance Minister in an equivalent country who will this year present a Budget containing a £2.5 billion increase in taxes. That shows what a mess we are in. The more closely one examines yesterday's Budget the clearer it becomes, because as usual, of course, many things are hidden. That is one of the Chancellor's predecessor's habits that the Chancellor did not kick. Many things hidden in the small print of the Red Book were never mentioned in the Budget speech.

This debate is our chance to examine the small print, and let us begin by considering those public finances. One would never have gathered from yesterday's performance at the Dispatch Box—*[Interruption.]* I am a generous man when it comes to this Chancellor of the Exchequer. I genuinely get on much better with him than I did with his predecessor—and I am not the only one. One would never have gathered from yesterday's performance that not only have the Government got

[Mr. George Osborne]

their borrowing figures wrong, but they were miles out. Never mind the fact that we have already borrowed £110 billion more than the previous Chancellor forecast in his earlier Budgets, and that the Government have been wrong in each of the past seven years, because even the forecasts made by this Chancellor in October are hopelessly wrong.

The Government are set to borrow in the coming period £20 billion more than the Chancellor predicted last autumn—£7 billion more next year alone. Last March, the Prime Minister told us in his last Budget that we would be in the black next year, but now we discover that we will be in the red to the tune of £10 billion, on the current Budget. As I say, that comes after 15 years' global economic growth. It is the opposite of prudence and the opposite of what most of the rest of the world have done.

On the figures announced by the Chancellor, Britain enters this economic slow-down with about the worst budget deficit in the developed world; the exceptions are Pakistan, Hungary and Egypt. Labour has achieved the impossibility of making Italy, France and Germany look like paragons of fiscal virtue. We are now discovering the truth about the state of the public finances and about the public spending predictions—a point that was raised by the hon. Member for Regent's Park and Kensington, North (Ms Buck).

The Chancellor said almost nothing about spending in his Budget; indeed, he said nothing at all about the national health service. I thought the Prime Minister's mantra was:

"education is my passion; the NHS is my priority".

It is not a priority that made it into the first Budget of his Government. That does not mean it did not feature, because if one delves into the detail and compares the spending tables published yesterday with those published in the autumn, one discovers something strange. One discovers that health spending is set to be £1.3 billion less than we were told it was going to be last autumn, including £700 million less on capital spending. The Chancellor talked about investing in schools, but we discover that capital spending on education is set to be £300 million less than he predicted in the autumn. The spending of the Department for Innovation, Universities and Skills, which is supposed to be a priority, will be £1.9 billion less than the Government were predicting in the autumn. None of those changes was mentioned in the Budget speech.

Alongside a raid on reserves, the Government pay for not only a big increase in defence spending, but a £1.5 billion rise in Department for Work and Pensions administration costs. Health and education spending growth appears to fall and welfare administration costs appear to rise.

Chris Bryant *rose—*

Mr. Osborne: I shall certainly give way. Was the hon. Gentleman aware that the Government had reduced the growth predictions on spending on health and education? I was not when I was listening to the Chancellor.

Chris Bryant: The hon. Gentleman said that the Chancellor said nothing about health yesterday. In fact, one thing, among others, that he said about health was:

"In 10 years, spending on health has almost doubled".—[*Official Report*, 12 March 2008; Vol. 473, c. 289.]

I am sure that the hon. Gentleman will now withdraw that remark. More importantly, he just referred to defence spending. The shadow Defence Secretary has said that the percentage of public spending on defence should increase and the shadow Health Secretary has said that the percentage spent on health should increase, so where will the hon. Gentleman find the cuts to pay for those commitments?

Mr. Osborne: What I am trying to explain to the hon. Gentleman is that there is a big increase in defence spending this year, and it is apparently paid for—I am happy to give way to the Chancellor if he would like to explain what went on—by a reduction in the projected growth in spending on health and education. I am bringing that to the House's attention. If the Chancellor wishes to intervene to explain exactly what has been going on with spending—I am sure the hon. Gentleman did not know what has been going on, just as I did not know, when listening to the Chancellor—I would be happy to give way to him. Apparently he does not wish to intervene.

That brings me on to another story—the impact of the new alcohol and car taxes. What the Opposition demonstrated last week was that one can use targeted tax rises, as other European countries have done, on the drinks favoured by binge drinkers and under-age drinkers to pay for lower taxes on lower alcohol drinks, leaving alone most of the drinks that most responsible adults enjoy. The Chancellor demonstrates this week how general rises in alcohol taxes hit 43 million people and do little to tackle binge drinking.

The Secretary of State for Work and Pensions (James Purnell): On that specific point, the hon. Gentleman is saying that he would not spend that alcohol duty on anything other than tax cuts. Does that mean that he will not support the winter fuel allowance increase this year or the measures on tackling child poverty next year?

Mr. Osborne: The increases in alcohol duty and vehicle excise duty, which I am coming to, are permanent increases, whereas the winter fuel payment is a one-off payment this year. If the right hon. Gentleman, either now or in his reply, makes a commitment at the Dispatch Box that it is an annual increase—in other words, it applies year on year—and if he is honest with the British public about what he is doing, I will tell him how we will vote on the alcohol duty increases. He is not prepared to give that commitment.

Mr. David Winnick (Walsall, North) (Lab): The hon. Gentleman was not in the House at the time, but can he explain why during his party's 18 years in office it never, at any stage, had a winter fuel allowance and why child poverty and pensioner poverty grew, as he well knows?

Mr. Osborne: Although I was a young boy at the time, I seem to remember that the Conservative Government who came to power in 1979 inherited a situation where there was no winter fuel at all, because the power stations were on strike.

Mr. Nigel Evans (Ribble Valley) (Con): My hon. Friend knows that I am vice-chairman of the all-party group on beer. The alcohol changes announced yesterday will do nothing to tackle binge drinking. Four pubs are closing each day in this country. Pubs are one of the great British institutions and in rural areas they add to the fabric of society. The announcements made by the Chancellor yesterday will condemn more British pubs to closure.

Mr. Osborne: My hon. Friend makes a powerful point. Interestingly, on the radio this morning, the Chancellor gave up any attempt to claim that the changes were about binge drinking or health measures. *[Interruption.]* That is exactly how they were billed as in yesterday's Budget and in advance. He made no attempt to make such a claim today because he knows that they are just a stealth tax. That is also true of the vehicle excise duty changes.

Barbara Keeley (Worsley) (Lab): Will the hon. Gentleman give way?

Mr. Osborne: If the hon. Lady will allow me, I shall make my points about cars and then I will take an intervention.

Listening to the Chancellor yesterday, people would think that only the biggest, most polluting 4x4s will be hit, but of course that is not true. Family cars face a higher tax bill, including the Renault Espace, the Citroën Picasso and, worst of all, the Ford Mondeo. In opposition, young researchers such as the now Secretary of State for Work and Pensions toiled to build new Labour on the promise of helping Mondeo man, and they have ended up taxing his car.

There is nothing wrong in principle with green taxes—far from it. I actually want to see the proportion of the tax take from green taxes rising instead of falling. Indeed, our policy group examined ideas such as a showroom tax, but the key difference in our approach is that rises in green taxes should be offset with tax reductions elsewhere. That is the only way to command any public confidence that the changes are transparent weapons in the fight against climate change, not sneaky devices for raising more stealth taxes. While we are on the subject of sneaky green taxes, why did not the Chancellor mention that he is removing the duty differential on biofuels, raising a cool £550 million, in two years' time?

Barbara Keeley: The hon. Gentleman has already been asked—he failed to answer—whether his party will make a commitment to halving and then ending child poverty. Can he confirm that that remains an aspiration, not—this is what the Government have made—a commitment and an action plan to make it happen?

Mr. Osborne: It is our aspiration to end child poverty, and it is also an aspiration for the Government, because on their present course they will not hit their target of halving child poverty by 2010. They have got one more Budget next year to do something about it, but even on the measures announced today they are still well short of their 2010 target. They can call it a commitment, but it is actually an aspiration.

There is another hidden tax in the Red Book. It is buried away in table C6 on page 187, which shows that the Government anticipate a 5.1 per cent. increase above their own capping limit in council taxes. That should certainly be drawn to the attention of local electors in the forthcoming elections. Yet again, we discover that the Government are squeezing everything that they can out of hard-pressed British families, who are already feeling the pinch.

As the Secretary of State for Work and Pensions has joined us, we should talk a bit about the Government's commitment to welfare reform. I have some sympathy for the Secretary of State. He is Brown's Blairite and the self-styled heir to the right hon. Member for Darlington (Mr. Milburn)—not that I want to kill off any leadership prospects that the Secretary of State might have. I can see his anguish as he watches the party, in whose Government he has risen so high, fall apart. I can also see his relish at the prospect of being the leader who puts it all back together again in opposition. On the back of this Budget, with its tax rises as we approach a general election, he may well get that opportunity.

Let us be honest about the child poverty figures. Let us be honest and say that they have risen by 100,000 in the last year. New figures are about to be published by the Secretary of State's Department—perhaps he can give us a preview of what has happened to child poverty. He could be honest about the fact that 400,000 more families are in deep poverty. He could acknowledge, as the right hon. Member for Darlington did in this debate last year, that poverty has become more entrenched under Labour. He could be honest about the fact that, even if we accept the Government's claims about the Budget, they are still well short of their target of halving child poverty in 2010. In-work benefits are part of the answer, but so is getting people off out-of-work benefits and into work. It has been clear since the Secretary of State took his post that it is his job to copy as closely as possible the policies of the Opposition. But this Budget exposes the central differences. There are no plans for sanctions on those who turn down reasonable job offers and no proper community work programmes. There is nothing to insist that people attend welfare-to-work programmes—

James Purnell *rose—*

Mr. Osborne: As the right hon. Gentleman is about to intervene, will he confirm that he would like to see the removal of the departmental expenditure limits-annually managed expenditure—or DEL-AME—divide that prevails in the Treasury? At the moment, he only has a commitment from the Chancellor to explore that.

James Purnell: As the hon. Gentleman has just said, that is on page 60 of the Red Book. He claims that we are copying his proposals, but it is the other way around. His policy document states:

"The radical blueprint set out in the Freud report, involving the contracting out of the return to work process to a series of independent providers...offers a clear way forward for the UK."

[James Purnell]

His whole document is based on quoting the Freud report and saying that the Opposition will implement it. Now that the cupboard is bare on Freud report implementation proposals, which we are putting in place, will he come up with some ideas of his own?

Mr. Osborne: The Secretary of State well knows that Tony Blair commissioned David Freud's report, and it was completely rejected by the present Prime Minister. It is only after the disastrous events of the autumn—when we discovered that although the Prime Minister had been planning it for 10 years, he had no idea what he wanted to do with the job—that he started dusting off the reports that we had read and decided to implement them. *[Interruption.]* The Secretary of State knows that those ideas came from David Freud, who worked for the previous Conservative Government as well as the present Government.

If the Secretary of State were to implement the entire Freud report, we would welcome that. David Freud himself says that the most important proposal in his report is to use the money that is currently spent on benefits—the so-called AME spending—on helping people get back into work. After months of negotiation with the person sitting next to him—the Chancellor—and the Prime Minister, the best that the Secretary of State has, on page 60 of the Red Book, is a commitment to explore the idea.

James Purnell *rose—*

Mr. Osborne: If the Secretary of State wants to say that he will implement the Freud recommendation on DEL-AME spending—the difference between departmental spending and benefit spending—in its entirety, I shall let him.

James Purnell: We are implementing them in full and David Freud is advising us on that. Will the hon. Gentleman now admit that he is copying our ideas?

Mr. Osborne: The Secretary of State should have seen the look on the face of the Chancellor when he said that he would implement the proposals in full. He has not secured agreement to deploy AME spending into DEL—*[Interruption.]* I would happy if the sitting were suspended for 10 minutes—with your consent, Mr. Deputy Speaker—so that the Secretary of State and the Chancellor could have a discussion and come back with the Government's policy. I will speak for another 10 minutes if that will help them get it together.

The Secretary of State asks what we would do. We would make the change and allow the Government to use welfare spending through payment by results across the out-of-work benefit system to get people into work. That is a commitment from the Opposition, and the sooner the Government make that commitment the better.

Greg Clark (Tunbridge Wells) (Con): Will my hon. Friend confirm that hidden away in the Red Book is another startling admission, which is that 145,000 more families will face a marginal rate of tax, or reduction in benefits, of more than 60 per cent. as a result of the Budget? Is that likely to help people get back into work?

Mr. Osborne: My hon. Friend makes an excellent point. Of course, as I have already mentioned, we face a vote next week that will see an increase in the income tax bills of 5.3 million of the lowest-paid. Those people will not be compensated by the handouts in tax credits elsewhere in the system.

Ms Buck: Will the hon. Gentleman give way?

Mr. Osborne: I have already given way to the hon. Lady and I now wish to conclude my speech.

Mr. Henry Bellingham (North-West Norfolk) (Con): Will my hon. Friend give way?

Mr. Osborne: My hon. Friend has not intervened thus far, so I shall give way.

Mr. Bellingham: Several aspects of the Budget are obviously bad news for small businesses, but did my hon. Friend spot that one of the papers that accompanies the Budget proposes that tax inspectors should be given powers of surprise entry, without official warrant? Does he agree that that could easily be abused and could be very bad news for the hard-pressed small and medium-sized enterprises in thiscountry?

Mr. Osborne: I certainly know that in years gone by the behaviour of the Inland Revenue caused enormous upset in areas of the business community, and the previous Chancellor had to intervene. It does not surprise me that the Government will now give more powers to the excise men and the Revenue men, as Governments have done that down the centuries, but the Chancellor desperately needs every single pound he can get out of the tax system because of the borrowing mess he is in.

Chris Bryant: Will the hon. Gentleman give way?

Mr. Osborne: No, I have already given way to the hon. Gentleman twice.

Chris Bryant: Once.

Mr. Osborne: Well, it was such a long intervention perhaps I just thought I had given way twice. With respect, I suspect that the Government will have some problem providing speakers in the debate this afternoon, so I suggest that the hon. Gentleman saves it for the long speech that he will need to make to fill up time. I am sure that the whole House will be very interested in what he has to say.

The final aspect of the Budget to which I want to draw the attention of the House today is the long-term assumptions that it makes. Again, those assumptions were not mentioned in the Chancellor's speech but underpin the sums in the Red Book and something called the long-term public finance report. They reveal the Government's true plans. For example, we discover that there is a new long-term forecast for immigration.

We have read a lot from the Prime Minister in the tabloid press about immigration recently. In fact, there is a projection that immigration will go up to 190,000 people a year, which is 30 per cent. higher than the previous forecast.

If one reads the National Audit Office audit of the Budget figures, one will discover that unemployment is projected to rise in the near future to 1.1 million. That was not mentioned by the Chancellor at the Dispatch Box. We discover on page 36 of the Red Book that on the current spending assumptions, in the many decades ahead, taxes will have to go up by £55 billion. If we delve into the Red Book, we see how borrowing is increasing. That is the true story of the British economy. What is the Government's response? They have no long term-plan, just short-term tax hikes; no leadership, just dither and delay.

That was summed up in another extraordinary interview yesterday, this time with the hon. Member for Coventry, North-West (Mr. Robinson)—the paymaster general to our Prime Minister in every sense of the term. He said on television yesterday that the Government had given the impression of making policy on the hoof. That comes from a former Treasury Minister in a Labour Government. That policy on the hoof led to the fiasco on capital gains tax and the many U-turns on non-doms. It is now forcing them to raise taxes in the downturn.

The British people deserve better than policy on the hoof from a Government who have failed. We need a long-term plan to restore stability to public finances by sharing the proceeds of growth. We need a long-term plan to reverse the slide in our country's ability to compete by simplifying reliefs and lowering corporation tax rates. We need a long-term plan to combat climate change by building public confidence in green taxation, rather than making such taxes stealth taxes. We need a long-term plan to help aspiring families by taking nine out of 10 first-time buyers out of stamp duty and raising the inheritance tax threshold to £1 million. We will not get any long-term plan from this short-term Chancellor, and so the country will have to wait for the election of a Conservative Government to get the economic leadership it deserves.

1.2 pm

The Secretary of State for Work and Pensions (James Purnell): It is no secret that we live in economically interesting times, which are sometimes unpredictable. They are so unpredictable, in fact, that until last night I expected to face the hon. Member for Epsom and Ewell (Chris Grayling). Clearly, Mr. Speaker expected that too when he introduced the debate. Unfortunately, like Jonny Wilkinson, the hon. Gentleman has been benched. In his place, we have the boy wonder—the young pretender—*[Interruption.]* I think he is younger than me. I am sure that, just like Jonny Wilkinson, my shadow will wish his replacement well today and hope that he performs well.

So, why the late substitution? Perhaps it was something I said.

Mr. Andrew Mackay (Bracknell) (Con): On the point of late substitutions, the Secretary of State will be aware that stories are circulating widely today that the Chancellor changed his growth forecasts in the last few hours before the Budget statement and changed them upwards. Does the Secretary of State think that is true and does he also think that the Chancellor will live to regret that change?

James Purnell: That is clearly complete nonsense. It was not even about a late substitution; I thought that the right hon. Gentleman was going to draw a rugby analogy.

Why did the Opposition change their Front-Bench speaker today? The answer reveals a lot about their tactics this week. At the beginning of the week, their tactics were to erect a smokescreen around the subject of child poverty, to wring their hands if we did not achieve enough and to hope that no one would notice that they were not committed to the target that they intended to criticise us on.

They hoped that we would fail on child poverty but instead we have a Budget that has been welcomed by the Child Poverty Action Group as

"excellent news for Britain's poorest children"

and by Barnardo's as

"dramatically good news for children living in poverty".

That is why the shadow Chancellor did not speak about child poverty today and why he concentrated on the economy. The Opposition do not want to talk about child poverty.

The presence of the shadow Chancellor raises two interesting questions. We have already had the answer to the first: the Opposition would not support our increase in the winter fuel allowance this year nor the ongoing increases in child benefit. His answer was clear on that. We will ensure that every pensioner and family in the country knows that between now and the next local elections.

Mr. Winnick: Is it not a fact that the shadow Chancellor gave no explanation of why for 18 years there was no winter fuel allowance and pensioner poverty grew, as did child poverty? Is it not the case that if there were a Tory Government, the winter fuel allowance would be stopped?

James Purnell: That is right. I think that about £60 million was spent on help on fuel costs for the elderly during the last year of the last Tory Government, but that figure is now more than £2 billion, even before yesterday's increases. The shadow Chancellor is welcome to stand up and say that he will support that increase—

Mr. George Osborne: Of course.

James Purnell: How will he fund it? He says of course he supports it, but he said earlier that he would not use the tax revenue that we are raising to fund it, yet said that the child benefit increases would continue. The shadow Chancellor has no money to fund the winter fuel allowance or the child benefit increases, and there is no way that the Conservatives can commit to that. He is welcome to stand up and say how he will fund it. He cannot say he supports it if he cannot say how he will fund it, and I think that the electorate will be interested to find that out.

[James Purnell]

The presence of the shadow Chancellor gives us an opportunity to ask another question, which he was keen to avoid in his opening speech. How will he fund the proposals that he said that he would go for? How will he fund his inheritance tax cuts? How will he fund his stamp duty changes? How will he fund the spending pledges that every one of his fellow Opposition Front Benchers seems happy to make every week? Where will he get that £10 billion from? Again, he said nothing in his speech about that. He has no short-term plan to fund any of the long-term plans that he mentioned in his peroration. That is why those on the Opposition Front Bench have gone very quiet. They have no way of funding those plans, and they know it.

The shadow Chancellor also knows that over the past 24 hours that problem has got radically worse. He liked to say that he would fund his proposals by "squeezing welfare". We are implementing the welfare reform set out in the Freud report, which he likes so much, and that means, as the Opposition admit, that they aim to get exactly the same number of people off incapacity benefit as we do. That offers no opportunity to squeeze welfare to fill that black hole, and that presents an even bigger problem today than it did at the weekend.

Stewart Hosie (Dundee, East) (SNP): That is all very interesting, but this is the Labour Government's Budget, and I am slightly more concerned to hear about that. The Secretary of State is asking how the Tories might fund things. Can I confirm that his Government are funding things through £43 billion of debt next year, a cumulative deficit of £581 billion, £189 billion of private finance initiative liability and, in consequence, an £87 billion balance of trade deficit in goods? I hope that the Chancellor is not shaking his head at those numbers; can I confirm whether they are absolutely correct?

James Purnell: The hon. Gentleman was obviously eager to read the Budget; I am sure that he has been quoting back a bunch of interesting figures. The point is that we have lower debt than any other country in the G7. When the Tories were in a similar position in the early '90s they had debt of more than 8 per cent. It is now under 3 per cent. and that why we can use the fiscal position to support the real economy, and that is exactly what we should be doing.

Chris Bryant: My right hon. Friend will know that one of the constituencies with the highest levels of incapacity benefit in the country is the Rhondda—a situation it shares with many other former mining constituencies. One of the biggest problems is that there are simply not enough mental health services available to enable people with mental health problems, which are the main reason why they are on incapacity benefit, to contemplate going into work. Will my right hon. Friend ensure that we invest in mental health services, rather than just wagging a finger at those on incapacity benefit? That has never worked in the past, and such investment is the only way in which we will tackle poverty in our poorest areas.

James Purnell: That is an extremely good point. My hon. Friend has been campaigning effectively on that policy area for many years. I know that he will look forward to the recommendations of Dame Carol Black, who has been considering that issue and how we can help people to be more healthy in work and to avoid their going off work and on to incapacity benefit. Mental health is one of the key issues that we will be considering as part of that review. As my hon. Friend knows, we are rolling out a significant increase in the number of talking therapies available, as they have been shown to have a good effect on people's well-being and their ability to work.

Ms Buck: I am grateful to my right hon. Friend for giving way because I was unable to intervene on the hon. Member for Tatton (Mr. Osborne) earlier when he was talking about sanctions. He may have inadvertently misled the House by saying that people were not sanctioned for refusing to take jobs. In fact, 300,000 people were subject to employment sanctions last year. My personal view is that in many cases those sanctions are too harsh—indeed, they have risen sharply recently—but does my right hon. Friend agree that a sanctions regime already exists and is applied, so how on earth can the hon. Member for Tatton expect to make additional savings from further sanctions without casting hundreds of thousands more people into a position where they have no income whatever?

James Purnell: My hon. Friend is absolutely right; that is yet another area where the Conservative policy document copies exactly what the Government are doing. Another one relates to single parent benefits, on which the Conservatives say only that the Government's policy is very good and they agree with it.

Why does it matter that the Conservatives have that £10 billion black hole and are making promises that—

Sammy Wilson (East Antrim) (DUP): Will the Secretary of State give way?

James Purnell: I want to make a little progress.

Why does the Conservative black hole matter? It matters because the Conservatives have still not learned the lessons of their economic failure in government. They did not have tough fiscal rules, so they could duck tough decisions, and they are at it again—unfunded tax cuts, lower borrowing and a new spending pledge. They are worse than the Liberal Democrats. What did that policy lead to? It is absolutely clear: 15 per cent. interest rates and 3 million people unemployed—

Chris Grayling (Epsom and Ewell) (Con) *rose*—

James Purnell: Perhaps the hon. Gentleman wants to apologise for his Government's record in office.

Chris Grayling: As we are talking about the Government's Budget, the Secretary of State will know that the Red Book says that £10 million has been set aside in 2010 to pay for additional assessments for incapacity benefit claimants. Can he tell the House how many assessments for how many claimants that money will actually pay for?

James Purnell: Actually, the figure is £30 million, so just like the £1.5 billion the hon. Member for Tatton (Mr. Osborne) cited, that was a misinterpretation of the figures, although I know the hon. Gentleman is fond of doing that. That intervention was a bit like a rolling substitution in rugby—the hon. Member for Epsom and Ewell (Chris Grayling) popped on to the pitch for a couple of seconds, so perhaps the hon. Member for Tatton will rise a bit later.

The answer to the question is that we aim to make all the assessments within three years. That is how we plan to proceed. After April 2010, the aim is to carry them out within three years. *[Interruption.]* The figure is £30 million—there is a net figure, but the gross figure is £30 million.

It is precisely because we have had a stable fiscal and monetary policy that we have had 10 years of economic growth. We have had higher growth than during the last decade of Tory Government, half the inflation and half the claimant unemployment, which means that we are much better prepared to face global economic difficulties than the Tory Government of that time. In the 1990s, when the Conservatives' current leader was working in the Treasury—when they were trying to recover from Black Wednesday—the economy was not well prepared. Inflation was out of control, debt was well over 40 per cent. and interest rates hit 15 per cent., which meant that when they wanted the economy to adapt, it could not. Interest rates could not go down and borrowing could not support the real economy.

Today, we can afford to make changes because we can afford to increase borrowing. We can decide to do so. We can ensure that fiscal policy supports the economy. Last year, our economy grew faster than any other economy in the G7—

Angela Browning *rose—*

James Purnell: A fact on which I am sure the hon. Lady wants to congratulate us.

Angela Browning: On stewardship and balancing the books, is it still the case that the Department for Work and Pensions, which has responsibility for many of the benefits and policies the Secretary of State is talking about, has not yet had Treasury sanction for its accounts to be signed off on an annual basis? Is the Treasury still overseeing his departmental budget?

James Purnell: I think the hon. Lady is talking about the National Audit Office. My permanent secretary had an interesting discussion with the Public Accounts Committee recently, and showed that there has been a significant reduction in fraud—*[Interruption.]* The hon. Lady says that she is a member of the PAC.

There has been a huge reduction in fraud—something that the previous Government did not even measure. Our accounts stand in good comparison to those of other welfare departments anywhere in the world. *[Interruption.]* The Conservatives did not measure fraud, so they have no grounds for making comments about it.

We can continue to invest because we have switched spending from failure—for which it was used in the past—to the future we face now. In the early '90s, three quarters of all new public spending went on social security and debt; today, the amount is less than a third, which is why we have been able to invest in schools, hospitals and public transport—all the things the shadow Chancellor said he wished we had cut over the past 10 years. He wishes we had not spent money on all those things, but had instead taken money away from the future, spending it on the economic failure that used to be his policy.

Mr. Tobias Ellwood (Bournemouth, East) (Con): Yesterday, we heard a speech that avoided the issues by trying to send us to sleep. Today, we are hearing a speech that avoids the issues by trying to talk about things that happened 10 years ago. Can I bring the Secretary of State back to today? Has child poverty increased or decreased in the last year?

James Purnell: No wonder the hon. Gentleman does not want to talk about the Conservative record of 15 per cent. interest rates, but we shall keep on talking about it. Under their Government, child poverty doubled—

Mr. Ellwood: Answer the question.

James Purnell: The hon. Gentleman will like the answer. Child poverty doubled under his Government but it has fallen by 600,000 in the last 10 years—a clear contrast between our Government, who are cutting child poverty and his Government, who allowed it to double. That is a shameful record.

We can continue to invest because we have switched spending to the future. As everyone now knows, this is a Budget for stability—that has been well commented on.

Mr. Heald: Will the right hon. Gentleman give way?

James Purnell: I have given way enough for the moment, but I will happily give way to the hon. Gentleman later.

Everyone recognises that the Budget shows the difference in priorities between the Government and Opposition Front-Bench Members. Yesterday, we announced that we would lift 250,000 children out of poverty, in addition to the 300,000 announced in the pre-Budget report and last year's Budget. Does anyone in the House seriously believe that if the hon. Member for Tatton had made the Budget speech yesterday he would ever have thought of making such an announcement? He would never have done so; it would never have been his priority, because the Conservatives never did anything about child poverty when they were in power.

Danny Alexander (Inverness, Nairn, Badenoch and Strathspey) (LD): Does the Secretary of State expect to meet the 2010 target of halving child poverty?

James Purnell: The Budget gives us a good step towards it. *[Interruption.]* I am not giving a running commentary on the target. We are committed to it. We reaffirmed our commitment to it and published a document on how we would do it. With those measures, we are taking an extra 500,000 out of poverty, in addition to the 600,000. There is a clear contrast between a Government who are reducing child poverty and one who allowed it to double.

Greg Clark: I am sure that the Secretary of State's officials must have advised him about when, on current progress, he will meet his 2010 target. In what year have his officials advised him that the Government are likely to meet the target?

James Purnell: We aim to meet it in 2010. That is our clear commitment. How can the hon. Gentleman shed crocodile tears about a target to which his party is not even committed? The Conservatives are not committed to that target; we clearly heard again from the shadow Chancellor that it was an aspiration. I will not take synthetic anger from a party that criticises us for a goal that it will not even meet.

Chris Grayling *rose—*

James Purnell: Will the hon. Gentleman say that the Conservatives are committed to that goal? Will he use the word "pledge"—will he say that he is pledged to meet the target? No one on the Conservative Front Bench has ever done so, now is his chance to redeem his colleagues.

Chris Grayling: Why has the right hon. Gentleman just told the House that he expects to meet the target in 2010 when last week his Department published a document stating that the target would not be met in 2010?

James Purnell: That is loud and clear: the Opposition are not committed to the target. Why does it matter? Why does it matter that it is an aspiration and not a target? What is it about the words

"We pledge to meet the target to end child poverty and to halve it by 2010"

that Opposition Front Benchers find them so hard to say? It is because they do not really believe in the target and would never have set it in the first place. In any case, they cannot afford to meet it.

Why does it matter that it is an aspiration and not a target? We pledge to meet the target of eradicating child poverty by 2010 by taking further steps—*[Interruption.]* That is our target. We have made it clear that our target is to halve child poverty by 2010. Yet again, the shadow Chancellor failed to say anything about it. People outside this place will notice that the Conservatives are simply not committed to the target.

Why does it matter? Because a target generates policy momentum. It also means that people have to find the resources to meet it, which is exactly what we did yesterday. Why will the Conservatives not do that?

Several hon. Members *rose—*

James Purnell: Let me make some progress.

The Conservatives will not pledge to meet the target because of the £10 billion gap. On Sunday, the Leader of the Opposition said that they would spend £3 billion on the working tax credit. At exactly the same time, on Andrew Marr's programme, the shadow Chancellor was saying that he would spend that money on the health budget. His leader was saying that they would spend it on the working tax credit; he said on the very same day that they would spend it on health. Their policy was confused and contradictory even then, with them not even being able to agree with each other. Today, the hon. Gentleman has found a third way of spending that money. He said that it would be spent on welfare to work. So they have spent exactly the same money three times now on three totally different issues. That is classic behaviour from the Conservative party, trying to fill a black hole by spending the same money again and again.

David Howarth (Cambridge) (LD): May I ask the Secretary of State the same question again, but in a perhaps more friendly way? What further measures does he expect are necessary for the Government to meet their 2010 target?

James Purnell: Thanks to the Budget, we will take further measures on welfare reform and child poverty. Clearly, we want to make to further progress towards the 2010 target, but we are committed to it and the hon. Gentleman is not. His party is not committed to it, either.

Ms Sally Keeble (Northampton, North) (Lab): During the years when the Conservative party was in power and all the fat City bonuses were being paid, I was the leader of a south London council and remember going around the schools and seeing children with signs of poor nutrition—almost malnutrition—with skin blemishes, bad hair and bad clothing. How the Conservative party dares to raise the issue of child poverty and criticise the Government is quite beyond all of us who have had anything to do with child poverty over the years.

James Purnell: The Opposition do not care about the target and that is why they will simply not commit to it.

Mr. Heald: Will the Secretary of State give way?

James Purnell: I will make some further progress in my argument if I may. I have already taken up some time of the House.

The Conservatives already had a problem: they had spent that £3 billion on three different issues, but they have a much bigger problem today. The much bigger problem for the shadow Chancellor is that that money has vanished. It is factored into our future spending plans, but the Conservatives have exactly the same welfare reform goals as we do.

Mr. Ellwood: Will the Secretary of State give way?

James Purnell: I have given way quite enough.

Our welfare reform programme is based on a simple contract. For those who play by the rules, we will provide extra support so that they can realise their ambitions. For people who do not play by the rules, there will be clear consequences from their behaviour. That is why we want to create a higher floor for children. We want them to get on, and we know that poverty is one of the things holding them back. That is not just a child anti-poverty policy, but a pro-child well-being policy and a pro-child life-chances policy.

Let us think of all the problems that are alleviated by getting to grips with child poverty: obesity, truancy and low school attainment. About 50 per cent. of the educational inequality in this country is related to income inequality. Unless the Opposition commit to the target, their views on this issue will be hollow and, frankly, pious.

I said that this was a contract, and so it is. As my hon. Friend the Member for Regent's Park and Kensington, North (Ms Buck) quite rightly said, for those who can work, there is no option not to do so. We have already announced—much to the Opposition's chagrin—that there will be work for the dole for young people who are not working or learning and for the long-term unemployed: a much wider programme than the one that they had previously announced. The hon. Member for Tatton wishes that we were not doing that. As we discussed, he was impressed by the Freud report—so much so that the Conservatives quote it on pages 10, 19, 38, 42 and 43 of their document. We are implementing it, and I am sorry that he cannot be disappointed about that, too.

Last month, we announced payment by results. Now, we can announce that everyone on incapacity benefit will be put through the work capability assessment to find out whether they are capable of work. But we will go further: welfare reform can help more children out of poverty. We will require lone parents with older children to look for work, and that will lift another 70,000 children out of poverty. We will develop a radical reform package to extend further and improve opportunities and incentives to work, lift even more children out of poverty and give independence, choice and control for disabled people.

Chris Grayling: The Government have announced that already.

James Purnell: No, we have not; this is a new announcement from the Budget yesterday.

If there are no more of David Freud's ideas that the hon. Member for Tatton wants to plunder, perhaps the Conservatives would like to come up with some of their own, and we would be happy to look at them.

Mr. Ellwood: Will the Secretary of State give way?

James Purnell: I am going to make some progress.

The Conservatives have clearly said that their goal is the same as ours: they would take 1 million people off incapacity benefit. They are not planning to squeeze any more from that budget. So their £10 billion hole is exactly the same as it was on Sunday. Everyone now wants to know the answer to this question: what does the hon. Member for Tatton say to the shadow health spokesman who said:

"It's tough; it means that there are places where public expenditure will have to decline as a proportion of GDP ... in some cases in absolute terms".

I bet that he is very popular at shadow Cabinet meetings, going around promising to cut other people's budgets. If not welfare, where are those areas that will be cut in real terms? Where will those cuts come from? Perhaps the shadow Chancellor would like to say where the axe will fall? He certainly did not tell us in his speech. From his silence, we can assume one of two things: either all the proposals that he made in his speech are completely unfunded and therefore should be taken for what they are, which is a con, or there are swingeing spending cuts coming in key Departments to pay for that £10 billion black hole. *[Interruption.]* Opposition Members do not like listening to this, because theirs is exactly the sort of fiscal indiscipline that led to the economic problems of the 1980s and 1990s, and they do not like being reminded of it.

The hon. Gentleman's smokescreen is gone. He is left with no target, no funding and no credibility. I would be happy to take criticism on child poverty from people who have a record on combating child poverty and who are committed to the target. But I will not accept their crocodile tears on an issue that they will not even commit themselves to. He has not even got the generosity to acknowledge that 600,000 people have been lifted out of poverty, and he has not got the honesty to admit why we had to act. We had to act because child poverty doubled under the Conservative Government and was the highest in Europe.

If we had just continued the spending policies of the Tories but uprated them, there would be an extra 1.7 million children in poverty today. We would not be talking about halving and eradicating child poverty; we would be talking about doubling it. That is exactly the record that we would have if the Conservatives had continued in power. The 2010 target was deliberately tough. It was never going to be easy to get so far, but as I said, the Budget makes real progress. We will do everything that we can to meet our 2010 target.

We are aiming high, and we are making the choices stark. Which do we prefer: a Government who set a very tough target and invest again and again to get there, or a Government who only pretend to care about child poverty because their leader's spin doctors tell them that they have to do so; a Labour Chancellor or the hon. Member for Tatton—confused, contradictory and a threat to the economy? I know which is better for the country, and I know which is better for the children of this country.

1.27 pm

Danny Alexander (Inverness, Nairn, Badenoch and Strathspey) (LD): I would say that it is a pleasure to follow the Secretary of State for Work and Pensions and, indeed, the shadow Chancellor, but the debate so far has been an embarrassment. The shadow Chancellor had nothing at all to say, and the Secretary of State had almost nothing to say about his own budget. It is no wonder that people outside the House are so disillusioned with politics when they listen to the sort of contribution that we have heard from the first two speakers, who had nothing to say about the changes made in the Budget. Perhaps it was good knockabout stuff—or perhaps weak knockabout stuff—but it did not address the real issues of the Budget and how it affects people in this country today.

The Budget protected many of the loopholes and benefits that the wealthiest people have had entrenched under the Government and did precious little for those on the lowest incomes. I want to refer to four issues: child poverty, which has been mentioned already, fuel poverty, welfare to work and the overall effect that the

[Danny Alexander]

Budget has on hard-pressed families on low incomes. Those are the issues that matter most in discussing the Budget today.

Of course, the background to the Budget is, as has been said, that ordinary families on low and middle incomes are under a great deal of financial pressure: rising energy bills, rising food costs, rising council tax and rising housing costs. Of course, that relates very directly to the experience of poverty that the Secretary of State referred to in the one or two brief remarks that he addressed to his proposals.

Let us look at the experience of poverty under this Government. Of course, the Secretary of State is right: the Government inherited a truly appalling situation from the Conservative party, and it would be wrong not to recognise the fact that some progress has been made on reducing poverty.

Greg Clark: Does the hon. Gentleman agree that the number of people in severe poverty has increased compared with 1997?

Danny Alexander: I certainly agree, and I was about to add a few caveats of my own, because although some progress has been made it is worth pointing out that in the last year for which figures are available child poverty went up, both according to figures in which housing costs are taken into account, and according to those in which they are not. We may get some new figures in the next few weeks. Figures for last year show that inequality of wealth is rising. The Gini co-efficient—the recognised measure of inequality—is rising, and is higher than it was in 1997 when the Government came to power. Inequality of income is not narrowing as one might expect it to and, of course, the point about extreme poverty that the hon. Member for Tunbridge Wells (Greg Clark) made is absolutely right, too.

It is absurd that the poorest taxpayers pay a greater share of their income as tax than the richest taxpayers. Even after the changes made to capital gains tax—in fact, especially after those changes—it is still the case that a hedge fund manager paying capital gains tax at 18 per cent. is paying a lower rate of tax than the person who cleans our offices, who may be paying income tax at 20 per cent. That situation could not in any way be characterised as fair, yet fairness is one of the concepts that the Government talk about. That problem will get worse at the beginning of next month, when the 10p rate is abolished—or doubled, as I prefer to put it. It will mean that 5.3 million people on low incomes, generally earning less than £18,500 a year and not in receipt of tax credits, will pay more tax. Those same people are paying more for their energy, their council tax, their food and their fuel. They will now pay more income tax, too.

Let me deal now with the issue of child poverty, because it is critically important. I agree with the Secretary of State that it is not a subject for the sort of synthetic anger that we heard from at least some Conservative Members. The shadow Chancellor said little about what he would like to be done to take us further towards meeting the 2010 and 2020 child poverty targets. It was interesting to hear what the Secretary of State had to say in answer to the several interventions that he took on child poverty. In a document published alongside the Budget yesterday, entitled "Ending child poverty: everybody's business"—and of course it is everybody's business; that title is quite right—there are continual references to the 2020 target. It says that there will be working groups, new policy ideas and some money spent on piloting new proposals, but that is all aimed at allowing us to reach the 2020 target. However, the Secretary of State said strongly that he remains committed to the 2010 target.

Barbara Keeley: There are initiatives going on at the moment. The hon. Gentleman will probably agree that getting lone parents back into work is important, so there are issues such as child care to consider. There are some very important pilots taking place across London. The Department for Work and Pensions study by Lisa Harker pointed out that child care costs are key, particularly in London. It is not at all true to say that work is not going on to meet the 2010 target; it is.

Danny Alexander: The hon. Lady makes an important point about London and lone parents, and I want to come back to that because she is right to say that there are specific issues affecting London that have to be addressed if the target is to be met. I was making a broader point. It is not that no progress has been made; the point is that, if we look at the Budget figures and the amount of extra resources being spent on the issue, we see that the Budget will be remembered as the time when the Government abandoned their target of halving child poverty by 2010.

I wish to make it clear that we Liberal Democrats are committed to the target of abolishing child poverty by 2020, and to halving it by 2010, but according to figures from the Institute for Fiscal Studies, the Government are expected to miss their 2010 target by some 450,000 children. Those are children who would no longer be in poverty if the target were met, but who are still in poverty because of the slow progress that has been made.

Bob Russell (Colchester) (LD): Does my hon. Friend agree that the most fundamental way of dealing with child poverty is for families to have decent housing? Does he share my dismay that the housing crisis in the affordable rented sector is worse than it was 10 years ago? Some 500,000 council houses were built in the first 10 years of Conservative government, but the Labour Government have built only 5,000 in 10 years.

Danny Alexander: I am grateful for that intervention, and I agree with the sentiment that my hon. Friend expresses. I pay tribute to the doughty campaigning that he has done on the issue in his time in Parliament. The point I was trying to make is that this is the Budget in which the Government effectively abandoned their 2010 target of halving child poverty.

It is worth reminding ourselves of a few of the facts about child poverty. In 2005-06, child poverty figures were still half a million higher than the target that had been set for 2004-05: there were 2.8 million children living in child poverty, if housing costs are not taken into consideration, and 3.8 million if they are. [*Interruption.*]

That is not a matter for derision or laughter from Members; it is a matter for genuine, serious debate and consideration. I think that anger would be a better response. Between 2004-05 and 2005-06, child poverty actually increased by 100,000, if housing costs are not taken into consideration, and by 200,000 if they are. I hope very much that the figures published in the next few weeks will show that the downward trend has continued, but I am not convinced that they will; we shall see.

As the hon. Member for Worsley (Barbara Keeley) rightly pointed out, the area with the highest concentration of children in poverty, after housing costs have been taken into consideration, is inner London, where 51 per cent. of all children are poor. The Secretary of State could have mentioned, but did not, that the report that he published sets out some London-specific measures that I welcome, by and large, as an attempt to get to grips with specific problems in London.

It is worth pointing out that there are particular problems of poverty among families with large numbers of children. Some 50 per cent. of children in families with four or more children are poor, compared with only 23 per cent. in one-child families. Half the children in poverty are in families where there is work, so the problem is not confined to workless households. That is why it is not enough to get people into work; it has to be work that pays sufficiently well to lift the family out of poverty.

It is scandalous that 1.5 million children in poverty belong to households that pay full council tax, and are not in receipt of any benefits to reduce its cost. Of course, those children would be particular beneficiaries if a local income tax were to be introduced. *[Interruption.]* They would. The hon. Member for Bradford, North (Mr. Rooney) may laugh; but it is a serious point. If one wants to address the issue of income at the lowest level, it should be recognised that council tax is a particular cost burden on the poorest families. In the latest international child poverty figures from EUROSTAT, which uses the 60 per cent. median and not the lower figure to which the hon. Member for Tunbridge Wells referred, the United Kingdom is ranked 21st in a league table of 30 countries, equal with Romania and Bulgaria on child poverty.

The debate about child poverty must not be about income alone, and the Chancellor did at least hint at that in his Budget speech yesterday. We have to consider future opportunities for children, too. There is much less social mobility in this country than there was in the 1950s and '60s. The Sutton Trust report shows a difference between the 1958 cohort and the 1970 cohort, but there is no evidence that things got better for later cohorts. The right hon. Member for Darlington (Mr. Milburn) talks eloquently on the subject; he believes that today someone from his background would not end up in the Cabinet. That shows the extent to which poverty has become a matter of inheritance; it is passed on almost automatically from one generation to the next. We must talk not only about income levels, but about how we can break that intergenerational cycle.

It is appalling to note that rich children are catching up with poorer peers in developmental tests between the ages of three and five, and will often have overtaken them by the age of six or seven. In other words, a bright, poor child will be overtaken by a rich but less bright child at the age of five or six. The impact of poverty can be seen at that very early age. We should ask—the Secretary of State should address the issue—what more can be done to help us to meet the target.

One measure in the Budget that I do welcome is the increase in the child element of the child tax credit. It is a good way to help families with multiple children, because it is a child element and not a first-child element. The Government are relying heavily on the tax credit system as a means of tackling child poverty, but the system has many flaws. There are overpayments, and the financial rollercoaster that far too many families experience when overpayments are made and then taken away; plunges people into a worse financial situation than the one they started in. There are also low take-up levels for some tax credits. The working tax credit, which is paid to people who are in work, is not being uprated. To make a more general point about poverty, take-up among people without children is appalling, at roughly one in five. The take-up of child tax credit is not good enough, either; it is around 80 per cent., at the lowest estimate. Tax credits are paid to people very high up the income scale. The child element of child tax credit is paid to people earning up to £58,000 a year, so it can be argued that it is poorly targeted.

It would surely be better, as we have proposed, to reform the way that tax credits work, to stop paying tax credit money to people with above-median income, and to use that money instead to concentrate the effort, first, on people at the lower end of the income spectrum and, secondly, to increase substantially one of the benefits about which the Government spoke yesterday: child benefit. At least we know that every family gets that money. Its take-up is almost universal—or as near as makes no difference—whereas there are problems of take-up and overpayment associated with tax credits.

I would argue strongly for a much more substantial increase in child benefit. The Chancellor yesterday tried to make the measures on child benefit sound great, but it is worth noting that child benefit was increased by today's retail prices index of 4.1 per cent. this April and next April. It will be worth £19.61 anyway, so raising it to £20 is not really a huge step forward and is hardly a ground-breaking move. I am sure the extra 39p per week is welcome, but it is not the shift of resources that the Chancellor made it sound like.

Increasing child benefit for the first child by, say, £5, as we have proposed, would lift a further 150,000 children out of poverty and could be paid for by scaling back tax credits paid to the rich. Getting families over the arbitrary income line is not enough. We also need to invest in future opportunities. We have proposed a pupil premium to target additional funding to schools for each disadvantaged child those schools take. I was interested to hear from the shadow Chancellor—I am sure the figures that he gave are correct—that there was a reduction in education spending hidden in the Budget. If that is the case, it is going in entirely the wrong direction if the intention is to provide additional resources for our poorest children.

The most cynical element in yesterday's Budget was the last point that the Chancellor made about the winter fuel payment. We have argued strongly that much more needs to be done about fuel poverty. But the idea seems to be that a one-off payment to deal

[Danny Alexander]

with an issue that has been going on for many years and will continue for many years is the right way to tackle it. That is what happened when a similar one-off measure was tried with council tax, as some hon. Members will remember, when an extra £200 payment was provided on a one-off—*[Interruption.]* Yes, during an election year. Of course, there is a school of thought that suggests that an election may be in the offing, so a one-off fuel payment in the winter to come might be a nice bounce into an election. I do not suggest that the Minister would be so cynical, but the Chancellor may well be.

Even with the £50 increase that has been proposed, the winter fuel payment will still pay only 34 per cent. of a pensioner's winter fuel bill, compared to the 50 per cent. of a pensioner's winter fuel bill that it paid in 2003 when it was introduced. On fuel poverty, the measures are too little, too late. Four and a half million people, and rising, still live in fuel poverty, and the Government's 2010 fuel poverty target has effectively been abandoned by Ministers—unless a Minister is about to pop up and tell us that that is another target that the Government stand by. It seems that there is no prospect whatever of that target being met.

I find it incomprehensible that the Government have not had the courage to claw back some of the huge profits that the energy companies have made from the free permits handed out to them in the emissions trading scheme. Limiting the measures in the Budget to pre-payment meters does not go far enough. Even on pre-payment meters, those are voluntary measures. Surely we are far beyond that. The idea that if "by next winter", to use the phrase in the Budget document, the companies have not taken appropriate steps, the Government will consider statutory action is, again, far too little, far too late. That potentially condemns many very poor customers to paying, in the case of npower and E.ON, for example, more than £300 more than their equivalents who do not have a pre-payment meter. Surely it is time to compel all energy companies to introduce real, fair social tariffs for all vulnerable people, not just those on pre-payment meters.

The Secretary of State did a little more today to explain the Government's plans, as announced in the Budget, on welfare to work; and the Budget contained key measures relating to lone parents and incapacity benefit. Of course, more help is needed to get lone parents into work. As the hon. Member for Worsley said, that can make a significant contribution to reducing child poverty. However, many lone parents would laugh out loud at the phrase in the child poverty paper,

"with accessible childcare...in place".

That statement, which assumes that there is now sufficient child care in all parts of the country for all lone parents, and that it is now appropriate to move on and reduce the age of the youngest child at which lone parents can be forced to work, seems complacent in the extreme. Child care is still a huge problem and Government policy is not meeting the challenge in relation to two, three or four-year-olds.

We agree with reducing the age of the youngest child to 12, which effectively equates to the time at which the child would start secondary school. That seems right. I would like further reductions to be based on evidence about how that measure has worked, rather than being automatically reduced, and there should be much greater certainty in relation to child care; otherwise, lone parents with a child aged 7 for whom there is not appropriate child care will be put in an extremely difficult position and threatened with loss of benefits.

I question the Secretary of State's remarks about lone parents and the effect on child poverty. I note that in the same child poverty report, the Government estimate that 100,000 more lone parents will be in work as a result of those age-related measures, but only 70,000 children will be taken out of poverty. Even assuming that each lone parent has one child, which is not a reasonable assumption—many of them will have more than one child—of those more than 100,000 children whose parents will be back in work, at least 30,000 and probably 70,000, will still be in poverty, on the Government's own assumptions and according to the Government's own projections.

Surely there is something wrong when the Government are saying, "We want you to get back into work to lift your children out of poverty," yet the Government's own figures assume that many of the children of the lone parents who have been pushed into work will still be living in poverty.

Mr. Terry Rooney (Bradford, North) (Lab): Does the hon. Gentleman accept that there can be a vast increase in household income through moving into work without necessarily getting above the poverty line?

Danny Alexander: Of course I accept that. I certainly accept that income can be increased by getting into work, but we are discussing the issue in the context of meeting the 2010 and 2020 child poverty targets. The information that I quoted is from the document "Ending child poverty", yet the Government admit that some of the measures that they intend to take will not end the poverty that some children experience. It is deeply misleading, at the very least, to set the point that the hon. Gentleman made in the context of trying to end child poverty.

I turn now to incapacity benefit. During the passage of the Welfare Reform Bill, my colleagues and I supported the idea of extending the new assessment and support system to existing claimants, once it could be proved that the support network that those people needed was in place. But—and this is a big but—the extension to existing claimants, the 2.6 million people currently on benefit, must be about getting people into work. The emphasis must be on the work, not on the reduction of the benefit rolls. The media focus—the Minister may well be more humane in private—is on toughness, not on support to get people into work.

On pathways to work, good progress has been made for some groups, but concerns remain about people whose main reason for being on benefit is their mental health. They are the largest group among new claimants for incapacity benefit. Progress on getting people with mental health problems back into work is far too slow. In terms of making therapies more widely available, the Government's steps towards meeting the objectives set down in an excellent report by Lord Layard are way behind. The Department for Work and Pensions and the NHS are nowhere near joined-up enough to implement that work-related agenda.

On the Freud report, which has been mentioned, I am a strong supporter of much greater use of the private and voluntary sectors to get people into work. As the Secretary of State knows, our policy proposals go somewhat further than the Freud report. They enable help to be made available more quickly and stop artificial barriers being set up for claimants who might go to a Jobcentre Plus, for example. We also need to examine the barriers that exist between benefits. For people on one benefit, one form of support is available, but the support that they might need is available only to people on a different benefit. That relates particularly to people with mental health problems, who might want to get condition management support, for example, but can get it only if they are on incapacity benefit, and not if they are on jobseeker's allowance.

My main criticism of the way in which the Government are seeking to implement the Freud report is the emphasis on big regional monopolies. I am not convinced that a switch from a regional state monopoly to a regional monopoly of a large, possibly foreign-based, multinational provider is necessarily the right way to go. I would like a system based on the model used in Australia, where there is more choice among different providers and where small local providers, as well as big multinationals, are able to take on contracts.

Mr. Heald: Does the hon. Gentleman accept that it is necessary to have a certain level of case load to support the administrative costs? There is no reason why one of the larger providers could not subcontract work to a smaller provider as part of the scheme. Does he not think, on reflection, that his concerns may not be as strong as he thought?

Danny Alexander: Despite that intervention, my concerns are still strongly held. I look at examples such as the Shirlie Project in my constituency, which does a fantastic job in the city of Inverness but nowhere else. It is not in a position to win such a contract.

The exchange that took place on DEL and AME—I am not sure which of the Chancellor and the Secretary of State for Work and Pensions is DEL and which is AME—was an interesting one, but it is clear to me that the Treasury has still not fully bought into the idea that savings on annually managed expenditure—benefit reductions—should be spent on welfare to work. The Secretary of State, in arguing that case internally, as I am sure he is, will certainly have my strong support, for what it is worth, in beating the Chancellor over the head until he agrees to what would be a genuinely innovative funding mechanism.

Two things on the welfare-to-work front could have been considered in the Budget, but were not. The first is the inordinate complexity of our benefits system, which is still a huge barrier to getting people into work. The second is the competence with which the benefit system is administered. The delays that people face, the wrong decisions and the increasing amount of money lost through error—not fraud—in benefit claims point to a system creaking under the strain and to a Government who need to get those basic points right.

To conclude, the many hard-pressed families throughout the country will not feel that this Budget has taken on their concerns. It was a Budget in which the child poverty and fuel poverty targets were effectively abandoned. It is a Budget of additional compulsion for claimants but little additional support. It is a Budget in which hard-pressed families are the big losers, with higher rates of tax and higher fuel, energy and food bills, and in which precious little is handed back. It is a Budget that will not make Britain fairer.

1.52 pm

Mr. Terry Rooney (Bradford, North) (Lab): I congratulate the Chancellor on what he did yesterday, particularly on child poverty. I am sure that when he woke up last Monday and got a copy of the report on child poverty by the Select Committee on Work and Pensions, he completely rewrote his Budget strategy, and we are grateful for that. What really pleased me was the categorical restatement of the policy on the elimination of child poverty by 2020, and of a move towards the 2010 target, compared with something that was an ambition, was downgraded to an aspiration, and now appears to be a maybe.

I particularly liked the disregard on child benefit that will apply to housing benefit from 2010, because that is definitely an in-work benefit that will benefit larger families in particular. Larger families are one of the key groups at risk of being in poverty. Despite what the Member for Inverness and Renfrew said. Is that it? Something like that, anyway. *[Interruption.]* Paisley and Renfrew, South—I have found it. knew that I had written it down somewhere. Despite the hon. Gentleman's rather cheap comment, it remains the fact that work is the best route out of poverty. If someone leaves school at 18 and starts work, they will not be earning what they will earn two, three or four years later. The key challenge is to get people who have often been out of the labour market for years into work, and then develop that work so that they improve their earning capacity.

When we look at the myriad training schemes that the Government are supporting through the education and skills agenda, and the billions that have been put in, we find that people who get into work can advance and develop a career. It is right that more needs to be done on the minimum wage and the quality and sustainability of work, but it is important to get people into work. It is always easy for someone to get another job, if they already have one. It is a major challenge to get people who have been out of the labour market for five, seven, 10 or 15 years into their first job. We need to build and support that process, and if we look at the outcomes of the employment retention trials, with the support that has been put in, we find that if the package is right, people stay in work, but then look to advance.

Another key issue when moving into work, particularly for lone parents, is child care. When most lone parents first go back to work, they are looking for 20 to 25 hours a week, because they want to be around when their children go to school and come home. It is true that child care throughout the country is accessible, but there is the key issue of affordability, and the child care tax credit goes nowhere near meeting the cost of child care for disabled children. There are factors that extended schools do not cover, and that affects a lot of people, particularly lone parents, who want to work evenings and weekends. There are gaps, but nationally 22 per cent. of child care places are vacant, which raises a question. A lot of money is funding dead places, and we need to work out why that is happening.

[Mr. Terry Rooney]

I have been championing for years the idea that work is the best route out of poverty, and I am glad that the Front-Bench team and the Opposition parties have caught up with me. I made a speech on that in 1994; I wait and I wait, but eventually everyone gets there—I think that there is a saying about a prophet in his own country. It is also a question of the quality and sustainability of employment, and the pay associated with it. I welcome, as I hope everyone in the House did, the increase announced last week in the minimum wage. Frankly, however, even £5.73 an hour is a pretty poor level of pay. The Mayor's living wage in London is £7-odd an hour, but even that is hardly a living wage. The more skills and work experience people have, the more they will drive up their earnings level. It is a chicken-and-egg situation.

People who are living in poverty, particularly children, suffer in terms of health and education. They get lower qualifications, which reduces their life chances at work and means that they will be in poverty when they retire. That is a complete life cycle. It is a matter of not only child poverty, but the next 60, 70 or 80 years of that individual's life. That is why the issue is so important, and I am deeply sorry that the official Opposition still cannot commit to saying, "We accept that this has to be done." We have had the usual banter between those on the Front Benches, but when the best we can get is a "Maybe", to me that says, "It is not a concern for us." For a party that froze child benefit for three years running—in 1988, 1989 and 1990—there is a lot of history, and perhaps some apologies are in order.

I welcome the publication of the document "Ending child poverty: everybody's business". The 2010 target concerns fiscal measures, but the 2020 one concerns longer-term strategies. That document says that Government do not have all the answers, which is true. All sorts of agencies need to contribute, because there is a 12-year strategy to meet the 2020 target. It is a radical change for a Government to say, "Tell us what we need to do," instead of making an imposition. Everyone should welcome that.

I am sorry if I am boring people by restating the issues, but one of the key issues for anyone moving from benefit to work is the point of change. What happens then? Typically, the challenge for lone parents involves moving from a low income that is secure. They know that that income will arrive every week, and they know that housing benefit will pay their rent so that their children have a roof over their heads. They then move into the uncertain world of work, which is a real challenge, especially if people have two or three children, because they think about the children first, not themselves.

We need to firm up the package on offer at the point of change. In some circumstances, for example, housing benefit runs on for four weeks. I personally believe that it should continue for three months. One problem is that far too many authorities are too slow in assessing a new claim when somebody's circumstances change. When someone moves from income support to work, the 100 per cent. claim stops and a new claim has to be made. If we had a three-month run-on, when the claimant was still paid 100 per cent., it would provide security for the claimant and give the authority time—under threat of some sort of penalty—to make the fresh calculations.

I may part company with my right hon. Friend the Secretary of State on the next point. We need to do better on the "better-off" calculation. It is currently poor and inaccurate, there are wide discrepancies between different offices and, indeed, it is not a better-off calculation. That was confirmed to me in a written answer, which said that any additional expenses arising out of starting work are not taken into account in the calculation. I am sorry to use strong language, but that constitutes deception. Most notably, the calculation does not include the cost of school meals, which were previously free. That can wipe out the £25 a week better-off promise. We need to improve the calculation and ensure that it includes all expenses, as well as income. Only income is currently included, whereas additional expenditure is not.

I have already considered the problems with child care. I am pleased about what the Budget documents state, but, as the Secretary of State knows, a major problem remains for families with disabled children or a disabled parent or—worse—a disabled parent and a disabled child. I appreciate the Government's commitment on the matter, but we need much more action on opportunities for those people.

The Secretary of State knows that I disagree with the change to the jobseeker's allowance regime when somebody's child reaches the age of 12. I am grateful for his engagement with that discussion, the opportunities that it allowed us and the further discussions that will doubtless take place. However, I want to ask about one matter. Last year, there were 60,000 sanctions for non-attendance at second or subsequent work-focused interviews. I went on about that for ages, and eventually the Department commissioned research because nobody seemed to know what was happening. I understand that the research has been done. Will my right hon. Friend let us know when it will be published? There is obviously something wrong with the system, if there are 60,000 sanctions.

Barriers to work are a key element for most groups of claimants. There are so many barriers that I do not want to go through them all today. I am grateful to the hon. Member for Paisley and Renfrewshire, South—

Danny Alexander: The right hon. Member for Paisley and Renfrewshire, South (Mr. Alexander) is the Secretary of State for International Development, and I am sure that the hon. Gentleman does not want to confuse him with me. My constituency is Inverness, Nairn, Badenoch and Strathspey.

Mr. Rooney: The book over here is wrong.

The hon. Gentleman who speaks for the Liberal Democrats received a written answer yesterday in which the Government helpfully listed several barriers to work:

"In addition, a key barrier to work is that many benefit claimants are not actually looking for work."—[*Official Report*, 12 March 2008; Vol. 473, c. 436W.]

That is a statement of the so-and-so obvious. However, many groups of claimants experience serious barriers to work. When the Committee prepared a report on

incapacity benefit a couple of years ago, it was striking to find that it was seldom the actual disability that stopped people moving into work; other factors in their lives, homes or family responsibilities did that. The move to making all claimants undertake the new work capability assessment test is right, but the decision on the test should be accompanied by the right support mechanisms.

Major mental health issues remain. Last year, the Chartered Institute of Personnel and Development conducted a survey of thousands of companies, 70 per cent. of which stated that they would not shortlist somebody with a history of mental illness. If that survey had showed that 70 per cent. of companies would not shortlist a woman, a black person or a Muslim, there would have been hell to pay, but because the statistic referred to mental illness, it disappeared into the ether. There was no press coverage and no discussion. While such discrimination remains in the workplace, we face a major challenge.

The number of new claims has fallen from 900,000 a year to 600,000 a year. The number of people coming on to incapacity benefit is falling dramatically. Doubtless, that has much to do with the economy. However, when people go sick or get injured, too many employers simply leave them on statutory sick pay for 28 weeks, have no contact with them and do nothing to support them. Those people then go on to incapacity benefit, and are lost to the work force. We should learn from places such as Holland, where everything is done to keep people in employment—even if is for only two hours a week—to keep them engaged with work and build them back up.

General practitioners, our old friends—I do not want to upset the British Medical Association any more—[Hon. Members: "Go on."] I will then. Sadly, too many GPs do not realise that work can be good for people, even if people have a health condition, which applies especially to those suffering from depression. Depression can only be made worse by sitting at home all day on your own in a darkened room watching daytime television. That is enough to put someone in an asylum. We need to improve the interface between the health service and the benefits system. I am sure that Dame Carol Black's report on Monday on health and well-being in the workplace will be stunning, and I hope that her suggestions are rapidly developed into policies. Too many people are being let down unnecessarily. Some people do not need to appear on the incapacity benefit rolls. We need a much better system to keep people in work.

I welcome the announcement—I am not sure whether many people noticed it—of the root-and-branch review of housing benefit. Its current operation is often a barrier to work, but a benefit should never be a barrier to work. I look forward to the review and to engaging with and contributing to it.

Again, I congratulate the Government on maintaining progress towards our 2010 target. It is telling that the End Child Poverty Campaign and One Parent Families congratulated the Government on what was done yesterday. Let us keep up the good work.

2.8 pm

Mr. Michael Fallon (Sevenoaks) (Con): What a disappointing Budget. I thought that the new Chancellor would emerge from the shadows as his own man through the Budget, but we ended up with a Chancellor who dithered over Northern Rock and capital gains tax and cannot even decide whether the plastic bags levy should be voluntary or compulsory.

Let me begin with the public finances and our problems. Five years ago, in the Budget of March 2003, we were promised that we would be in surplus by March 2006. Each subsequent Budget and pre-Budget report postponed that. Yesterday, we were told that we would not be in surplus until 2010-11, exactly five years later than originally planned.

Let me put it another way. In the financial year that we are completing, we were supposed to have a surplus of £9 billion. Instead, we have a deficit of £7.9 billion. That is a turnaround of £17 billion—half the defence budget—because the Government failed to keep to their original plans.

Alternatively, let us look at net borrowing. Five years ago, we were told that net borrowing in the year that we are about to start would be £24 billion; yesterday, it was admitted that it would be £43 billion, almost twice as much. Worse still, for the first time that I can see in 11 consecutive Budgets and pre-Budget reports, the borrowing figures will be higher in the next two years than they were in the last two. The figures will increase to £43 billion and £38 billion, both of which are higher than the figure for borrowing in the year just ended. Not until 2012-13 will we get back to the borrowing level of £23 billion that we last saw as an outturn in 2002-03—a decade of binge borrowing.

Finally, there is overall public sector net debt. That will rise, according to the Red Book figures, to £731 billion in 2012-13, which is almost double what it was 10 years earlier. This comes at a time when we are already paying almost as much in debt interest, at £31 billion, as we are on the entire defence budget, at £33 billion, as we can see in chart 1.1 of the Red Book. Indeed, debt interest is now our fourth biggest spending programme. We on the Conservative Benches do not need to take any more lessons about unfunded tax promises, because that scale of collapse in the public finances is simply unfunded Government spending.

To put it another way, the Treasury got the growth that it expected from the economy last year, so why does public sector borrowing need to jump from £36 billion to £43 billion? Why do we need to force the motorist, the drinker and the small business to pay more taxes? Growth was around 3 per cent., as forecast and above its historic trend, but we are spending 45 per cent. of our national income while tax receipts account for only 41 per cent. Why? Because the then Chancellor failed to prepare during the stronger years. The Government failed to control spending or pay down debt. That is not just sloppy forecasting; rather it shows clearly and conclusively that the Government, and especially the former Chancellor, cannot plan their public finances properly. Therefore, we cannot trust the current Chancellor when he tells us that everything else will be okay. That is the failure in our public finances.

[Mr. Michael Fallon]

Secondly, I want to address the question of who really pays for that failure. It is not the public sector, which now faces relatively smaller increases in its growth. There will of course be fewer additional police community support officers and fewer additional NHS physiotherapists. However, we know that public sector pensions are still protected and that some pay restraint in the public sector is already being breached by the more and more widespread use of bonuses. For instance, one third of HM Revenue and Customs staff received bonuses last year.

It is not the public sector that will pay. The real losers from the collapse in our public finances are the people at the bottom. The first group are the lowest-paid of all. An unmarried person without children who earns only £11,500 year, on the minimum wage or just above it, pays tax and national insurance at 16 per cent. of their earnings. Someone in Ireland in exactly the same position would have to earn almost twice that amount—more than £22,000 a year—before they paid tax at 15 per cent. Why should single people starting their working lives be hit the hardest? Why should they be discriminated against by the myriad rules against part-time working, which make it less worth while to work between four and 16 hours a week, for example, because of the interaction of income support, working tax credit and child tax credit? The tax credit system is fine in itself, as we on the Conservative Benches have accepted. However, because it goes so far up the income scale, it simply does not give enough help to those who need it at the very bottom.

The second category having to pay for all the mistakes is our pensioners, particularly those on fixed incomes and those facing year-on-year real increases in council tax of around 4 or 5 per cent. Let me give an example from Sevenoaks district council, which is one of the southern district councils that has been worst treated by this Government. My constituent, Ms Earnshaw-Whittles, keeps a careful record, going all the way back, of the exact amount that she pays. In 1998-99, the first year for which the Government made the allocation, she paid £90 a month in a band G house. Had that amount been increased with inflation, she would now be paying £115.63. In fact, she has to pay £171, which is 48 per cent. higher. We are talking about people on fixed incomes paying half as much again in council tax they would as if the figures had been indexed. They are the people paying for the Government's mistakes.

We know, too, that every council has had to plug the gap in its pension funds caused by the then Chancellor's disastrous raid on pensions in 1997. Every local authority has had to cope with all the extra legislation passed through the House and the multitude of directives issued by Whitehall, but on a reduced grant.

Finally, small businesses are paying the price for the failure to control our public finances. Not only are they over-regulated, as Conservative Members have pointed out time and again, but they are constantly forced to act as the Government's agents, by operating the tax credit system, checking on immigrant status and sorting out graduate loan repayments. As thanks for that, this year of all years, corporation tax will be increased by 2 per cent. We have been asking why since the last Budget, but we have not received an explanation. Rather than putting the burden of their mistakes on to those who simply cannot pay, the Government should look much harder at putting their own house in order.

I want to conclude with some remarks about the waste and inefficiency in central Government. There was not much in the Chancellor's speech yesterday about the efficiency savings programme. We have had the Gershon savings and it is claimed that the £30 billion is on course to be realised. However, we know from the work of the National Audit Office and the Public Accounts Committee what a small proportion of those savings have been fully realised, fully audited and cashable. I understand that the NAO has endorsed only about a quarter of the current savings as real, in terms that the private sector would understand.

Secondly, there is the period after the Gershon review, post 2010-11. We were told yesterday that we would have to wait until the 2009 Budget before we saw the details of those savings, although yesterday we were promised something called the "public value programme". It is not immediately clear to me how the public value programme differs from the current value-for-money delivery agreements. We have learned from bitter experience that changing the labels does not mean that we will get real cost-cutting in the administration of government, better ways of working, a reduced rate of absenteeism and an improvement in the efficiency of the back office systems. Those are all things that the private sector has had to cope with and implement over the past 10 years, but which still seem so difficult in the public sector.

Then there is pay, of course. I welcome the suggestion in the Red Book that Whitehall wants an increasing number of multi-year agreements, but I have warned before, including earlier in my speech, about the ever-widening use of bonuses to circumvent pay ceilings instead of adopting the performance-related pay measures that are now common in the private sector.

There are also asset sales. The Government have another £12 billion to go before they realise their 2010-11 target, and only two years left to get on with it. It seems to be taking them an awful lot of time even to sell the things that they have said for years that they wished to sell, such as the Tote. They have been playing around with that for years. A couple of weeks ago, the Department for Culture, Media and Sport announced that it intended to appoint financial advisers. If the Government are to realise their intended gains from asset sales, they must get on with it.

As I said on Monday, this country is in a financial crisis. We see that in the lack of confidence in commercial banking, the deep-rooted problems in the bond markets and the serious downturn in the United States. I suspect that we are nowhere near the end of that crisis. Just because this business cycle has run twice as long as previous cycles, that does not excuse the Government for not having prepared properly for its end. That is what Governments are for. Instead, just as our constituents face rising food and fuel prices, we find the Government being caught out. They have

unfunded spending commitments, which are being met each year only through higher taxes and increased borrowing. They failed to prepare and have now been found out. Next year, they must prepare to fail.

2.21 pm

Mr. Stephen Byers (North Tyneside) (Lab): I am pleased to be able to take part in the Budget debate and support my right hon. Friend the Secretary of State for Work and Pensions in his radical and modernising programme of reform in the Department. I know that he wants to implement it, and many Labour Members will want to wish him success.

The Chancellor delivered the Budget yesterday against a backdrop of probably the most difficult conditions that any Chancellor has had in the past 10 years or so. The global economic downturn and the turmoil in the world's financial markets were difficult circumstances in which to deliver the Budget. I believe that the Chancellor was right to put stability at the heart of his statement and not take any risks. Of all years, this was probably the one when risks would have been totally inappropriate for our economy. He was right to stress the importance of using the economic strength that we have because of the decisions taken in the past 10 years, and of putting in place measures to ensure that we can weather the economic storm that all of us throughout the world now face. He was also right to identify key values and principles that he felt underpinned his statement: fairness and opportunity. The only way in which we can deliver on those values and principles is by having a strong and growing economy.

The Budget is one of the defining political events of any parliamentary year. It provides the Government of the day with the opportunity to give a political narrative and tell the public exactly what they want to do with their powers. It is particularly important this year, because it is under a new Prime Minister and a new Chancellor of the Exchequer. It is also an opportunity to develop the political dividing lines that exist between the Government and the principal Opposition parties. We saw a little of that yesterday, which perhaps gave a flavour of elections to come.

Even though things are tight and there is limited room for manoeuvre, the Budget is also an opportunity to present the positive case for what the Government intend to do in the months and years ahead. It can give real political momentum to what they seek to achieve. In that context, I wish to address three matters: first, the role and size of Governments in the modern world; secondly, the next stage of public service reform; and thirdly, how we can marry wealth creation and social justice, seeing them not as incompatible but as two sides of the same coin.

I believe that the first of those matters, the role of Governments and the size of the state, will be the key political issue for every party to tackle in the months and years ahead. What do the people want and expect from their Government? What role do they expect us to play? What should the size of government be? There are competing forces. At a time of globalisation, mass migration, international terrorism and climate change, we need national Governments to respond to those global issues and work internationally. However, the public increasingly want to stand on their own two feet. They do not want Government intrusion and intervention. In my view and that of most people in our country, the days of big government are over. They do, though, want a Government who are there when they need them. How to strike the right balance is what we must all address in the coming period. We must reconsider what we expect the Government to do, what we should be involved in and, as a consequence, how big government needs to be.

That is a difficult matter for all three of our major political parties. The Liberal Democrat supporters of the "Orange Book" see a limited role for the Government and believe that the market can address many of the problems that we face. The old left believed in big government and that the Government should be the sole provider of public services. It believed in large-scale intervention in industry. The right—I am not sure whether it is the old right—broadly believes in a laissez-faire approach. The hon. Member for Sevenoaks (Mr. Fallon), and maybe one or two others, might subscribe to that. It believes that the less Government intervention the better, and that the Government leaving things alone is the best way forward.

There are differing views among the political parties, but in many ways the debate has been over-simplified. Asking whether there is too much government is almost asking the wrong question, because it implies that the solution is less government. The issue is more complicated than that. The real question is what kind of government we want and what role we expect Governments to play. A progressive Government should be an enabling one. They should provide opportunities and make choice available to individuals, and they should support a new kind of redistribution of power and influence so that individuals can make decisions. A progressive Government should take power away from themselves and their agencies and devolve it all the way down to the individual, whether a patient in hospital or a parent whose child is going to school. That is where the power should rest—with the ultimate user of public services. An enabling state is, in my view, the only organisation that can guarantee fairness in our society. I know that that is the key difference between the position of Labour Members and the view expressed by the Conservative Leader of the Opposition, who does not see that as being a key role for a Government to play.

As we look in policy terms at the issues before us, we have to be careful that we do not come up with policy prescriptions for very pressing issues that lead us back into the ways of big government. I want to say a few words about how the tax credit system works in practice.

Angela Browning: Having shared many a Committee Room with the right hon. Gentleman when the Labour Government first came to power in 1997, I have personally witnessed him abolish the assisted places scheme, prescribe from the centre how many children should be in a classroom and so on. Does he regret those big government steps he took back in those days?

Mr. Byers: I do not, and I shall come on to explain why. When I talk about public service reform, I will go through the three stages, which were articulated so well in a piece that the Prime Minister wrote for the

[Mr. Byers]

Financial Times earlier this week. I will address the point that the hon. Lady raised when I reach that stage of my remarks.

I was making the point that there is a danger in government that the policy prescriptions that we bring forward to tackle a pressing problem may actually lead us back to the days of big government that I believe we should be moving away from. The present operation of the tax credit system is an example of how big Governments can be intrusive, and it will not in the end deliver the policy objective.

The range of people entitled to receive child tax credit has been mentioned. The hon. Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) specifically raised that point when he drew the House's attention to the fact that someone earning up to £58,000 is entitled to a child tax credit. In fact, it is even higher than that. If the child is less than a year old, someone on an income of £65,000 a year is entitled to a child tax credit. In my view, that is big government. I do not think that people on £66,000 a year really want a tax credit; they would rather have a lower level of taxation, full stop. I understand why the child tax credit is in place—to help, as I thought, families or single parents in poverty or on poverty pay—yet we suddenly find that child tax credit is available to someone on that level of income.

The second consequence of the tax credit regime, linked with the operation of other benefits and the abolition of the 10p starting rate of income tax, is that a record number of people now have a marginal deduction rate of more than 60 per cent. Page 62 of the Red Book tells a very sorry tale. There are now 1,875,000 people in work who face a marginal deduction rate of 60 per cent. or higher—an increase of more than 1 million people since Labour took office. That has come about because of the way in which the tax and national insurance system, the credit system and benefits such as housing and council tax benefits interact.

Ms Buck: I have some sympathy with my right hon. Friend's argument, but does he not accept that part of what has happened has been a reduction in the number of people paying infinitely higher levels of deduction—in some cases more than 100 per cent., or 90 or 80 per cent.? Does he further agree that the alternative may mean forcing people into work where they may lose money in comparison with their benefits, or that they are effectively priced out of work and end up on benefits? Of course, it would be better if we did not have such high marginal rates of income deductions, but my right hon. Friend has to look at them in the light of the alternative that used to exist, when people were simply priced out of the labour market entirely.

Mr. Byers: It is true to say that a small number of people were paying 90 per cent. or higher rates. The figure I am referring to is the total number facing rates of above 60 per cent.—in 1998, it was a little over 750,000, but it is 1,875,000 today. That is an unacceptable situation, and I think that solutions can be found—for example, a bigger increase in the national minimum wage, coupled with a shallower taper on the tax credit system, would make a huge difference to the people whom we are talking about.

Let me explain the consequence of the figures on page 62 of the Red Book. Poorly paid workers—hospital cleaners, people doing administrative tasks, school dinner ladies and so forth—are facing a reduction in their income more than 60 per cent. higher than that of millionaires who are paying 40 per cent. income tax, plus 1 per cent. national insurance. For a progressive Government, that is not an acceptable situation, and I believe that a solution has to be found. The review of housing benefit announced yesterday provides part of an opportunity, but we need to examine closely the operation of the tax credit system so that it does not act as such a disincentive for hard-working people to work the extra hours to get a decent income, which they will not get if they are being taxed at 60 or 70 per cent.

I welcome very much the positive statements made in the Budget yesterday about public service reform. The hon. Member for Sevenoaks referred to the announcement about the public value programme. Like him, I am not altogether clear about exactly what the programme will do. We should all support its terms of reference—to identify where there is scope to improve value for money, and value for money incentives. I would like to think that that is part of an ongoing reform of public services.

I was particularly pleased to see the Prime Minister's article in the *Financial Times* earlier this week, in which he stated in the clearest possible terms his own personal commitment to drive forward the public service reform agenda:

"A greater diversity of providers, more choice and in many areas more competition will continue to ensure that services that fail to deliver are legitimately challenged and standards are forced upwards."

He continued:

"So there can be no backtracking on reform, no go-slow, no reversals and no easy compromises. Indeed, to meet these new demands it is now time to go further and move to the third stage of reform where we not only further enhance choice but also empower both the users of services and all the professionals who deliver them to drive up standards for all."

Mr. Denis MacShane (Rotherham) (Lab): Did my right hon. Friend's heart beat a little faster when he read that article, because it showed that the modernising flame in No. 10 is still burning brightly, and that the need to produce a public service in line with all our thinking over the past 10 or 11 years, which serves the public rather than serving itself, must be at the heart of the next stage of Government reform over the next, say, 10 years under Labour?

Mr. Byers: I would not go so far as saying that my heart was beating a little faster, but a smile may have played around my lips—*[Interruption.]* Yes, it is pretty good going really; it is progress.

The Prime Minister's words are a clear indication of the direction in which he wishes to go, and they reflect the fact that, over the past few weeks, he has come to recognise the importance of public service reform. The challenge, however, is how to turn those very positive words into tangible policies on the ground, which will deliver on such commitments. I shall make a couple of suggestions about how that might happen in relation to the school sector, which needs greater improvement. We have seen incremental changes for the better, but given the investment that has gone into our school

system, a dramatic shift is needed in the quality and standards provided in our schools. I agree with the Prime Minister when he talks about "greater diversity of providers", "more choice" and "more competition" driving up standards. As a former Schools Minister, I thought about how that could be done in the school sector.

I have just two proposals. First, last week we had what is now called national offer day, when parents whose children are transferring from primary to secondary education are informed whether they have been successful in getting their child into the school of their choice. About 100,000, or one in five, will not get their first choice of school. It is clear from the timetable for admissions that we currently have a rationing system for places at good and popular schools. It is not a timetable aimed at meeting parental choice. The reason is simple. Parents express a preference—not a choice—in the autumn of the year before their children are due to transfer from primary to secondary school and are told in March whether they have been successful, so there is almost no time for the system to respond to their wishes.

There is a simple solution. In the private sector people specify at an earlier date the schools that they want their children to attend, which gives the system time to engage more teachers, put in an extra classroom and generally meet parental demand. The provision of places at good and popular schools can thus be expanded. If parents whose children were due to start secondary school in 2010 could specify their choice of school in autumn this year, the longer lead-in time would allow the system to organise and respond positively. I believe that that could galvanise the schools system; suddenly, schools would be able to respond to the wishes of parents.

There is, however, another issue that needs to be addressed. At present, children from poor backgrounds who are entitled to free school meals do appallingly badly. Of the 30,000 16-year-olds who leave school without a single GCSE or other qualification to their names, the vast majority are those receiving free school meals. Free-school-meals children are three times more likely to leave school with no qualifications, and 35 per cent. of free-school-meals children obtain five good GCSEs, compared with 63 per cent. of children who do not receive free school meals.

The Prime Minister has said that he wants all state school children eventually to be funded at the same level as those in private education. The average in the private sector is £8,000 a year; in the state sector, it is £5,000. If we are serious about changing the life chances of children from poor backgrounds, we must invest money to achieve that. The Liberal Democrats have proposed what I believe they call a pupil premium. I have a different proposal. I think that from 2010, each free-school-meals child entering secondary education should receive £8,000 as an educational entitlement. Given that about 90,000 children transferring to secondary school will be entitled to free school meals, the cost for the first year will be about £270 million. Over time the amount will increase to around 3 per cent. of the total schools budget, and I believe that it will be money well spent. It will dramatically improve the opportunity for children who need extra support and assistance to gain the benefits and get the best from the education system.

I think that if the £8,000 educational entitlement for a free-school-meals child is combined with a new admissions timetable allowing a longer lead-in time, young people who are currently denied access to the most popular and successful schools will soon have the opportunity to attend such schools. Parents who cannot afford the premium attached to buying a house in the catchment area of a good and popular school will at last be able to send their child to one.

Both those proposals are practical. Choice, competition and contestability must be at the heart of any third stage of public sector reform. It will be about devolving real power and influence to parents, rather than just giving those things to head teachers and schools, because, to be honest, they are just another group of vested interests that will not always act in the best interests of the children. For public service reform to be effective, it has to go the whole way and the ultimate users of the services must control their own destiny, and the money.

Finally, let me turn to wealth creation and social justice. When John Smith was Labour leader, he made an important speech on the progress the Labour party had made by casting off the old Labour approach and addressing instead a more modern new Labour approach. He said that whereas historically for Labour, wealth creation and economic efficiency were in conflict, they had to be seen as two sides of the same coin. When he was shadow Chancellor he made the strong argument—he may have done so in this House—that unless we have a growing economy and wealth creation, we will not be able to deliver on our social policy agenda. This Government have achieved that: 600,000 children have been lifted out poverty, and there have been record levels of people in work and of investment in public services. We have been able to do that only because we have had a strong and growing economy.

An important objective for any Government at a time of globalisation is to ensure that we remain competitive in world markets. That means being very careful about taxation levels for both businesses and individuals, because we are competing globally in respect of tax regimes. It also means reflecting the modern world in which we live in the overall climate that we create for business, entrepreneurship, and wealth creation. There is a danger that one or two false steps, even if they are well intended, might disrupt the good record that has been established. We must therefore make it absolutely clear that the UK will remain the best place to do business. That means that the Government and the Labour party must become as comfortable with the concepts of aspiration, enterprise and ambition as we have been for generations with those of social justice, fairness and opportunity for all.

I have raised concerns about how the tax credit system works, but the overall message on the Budget is positive. It is a Budget that is right for our times: it stresses stability, and at a time of uncertainty in the world that is exactly what we need. This is the right approach, and one that should commend itself to the House.

2.48 pm

Sir George Young (North-West Hampshire) (Con): It is a pleasure to follow the right hon. Member for North Tyneside (Mr. Byers), who made a loyalist and supportive speech; indeed, if I may say so, he made a better defence of the Budget than the Chancellor did yesterday. However, as the right hon. Gentleman developed his speech he talked about an enabling Government devolving power to the individual, about taking power away from the Government and about empowering the parent and the patient, but he is much more likely to get a Government who do all that if he supports my right hon. Friend the Member for Witney (Mr. Cameron) than if he continues to support a Government led by the Prime Minister, a man who blocked foundation trusts, for example—an initiative of the right hon. Member for Darlington (Mr. Milburn). That was a very modest move towards independence in the public sector, but it was blocked by the man who is now Prime Minister.

Mr. Byers: There is a problem that all political parties share. I have looked very carefully at the Conservative party's proposals, and under them the power would go to another group of vested interests: the school head teachers. The Conservatives' education policies would not empower parents. The situation is the same in respect of patients. The challenge for hon. Members from all parties is to have the courage to devolve power not to another agency acting on our behalf, but to the individual, such as the patient, parent or whoever it might be. We should be empowering them, but the policies of the right hon. Gentleman's party simply do not do that.

Sir George Young: I am familiar with what I think is called double-devolution, whereby one devolves power not just to the next layer of government, but over its head. It remains my strong view that a Government led by my right hon. Friend the Member for Witney is much more likely to deliver power to the patient and to the parent than a Government who continue to be led by the Prime Minister. My point is made by the fact that the right hon. Member for North Tyneside went on to launch an attack on the tax credit system—a system that symbolises the political philosophy of the Prime Minister: big government. If the right hon. Gentleman wants to reform the tax credit system, he is again much more likely to get that from the Conservatives than from his hon. and right hon. Friends. However, let me develop one or two other points, if I may, having listened with interest to the right hon. Gentleman's speech.

This was an unusual Budget speech, in that we were not told by the Chancellor what his Budget judgment was. We had no idea at the end of the speech whether he was putting money into the economy or taking it out. He did not tell us the cost of postponing the fuel duty increase or of the increase in the winter fuel allowance. We were not told whether the vehicle excise duty changes were revenue-neutral or would raise money. We were not told how much the alcohol and tobacco duty increases would raise. So yesterday, we had an hour-long journey with no signposts or milestones. It was only at the end that we discovered where we were. If this Chancellor delivers another Budget, I hope that he will revert to the practice of giving the House the figures as he goes along. I do not think that I have ever said this of a speech before, but some statistics would have made it more interesting.

We have heard a lot about the imbalance in the public finances and the Government's failure to build up a reserve for a rainy day—a point made by my hon. Friend the Member for Sevenoaks (Mr. Fallon). The Government have less money than they thought, but they have an extra bank in which to put it. This might have mattered a lot less, had not exactly the same imbalance been happening in the nation's private finances. I want here to talk briefly about two issues, neither of which has featured much in our debate so far, the first of which is savings.

The nation's savings ratio has plummeted—from 9.5 per cent. in 1997 to 3.4 per cent. in the third quarter of last year. The case that I make against this Budget is that this sustained decline is serious and bad news for the British economy, and nothing in the Budget begins to address it. If one looks at the Government's five long-term goals in the Budget press notice, one sees no mention at all of savings. If one looks at the document published yesterday, entitled "The UK economy: analysis of long-term performance and strategic challenges", one sees that the issue is totally dismissed on page 21. It states:

"Over the past decade, macro-economic stability and low interest rates have given households the confidence to borrow and invest."

That is Government-speak for "people have stopped saving". There is also a graph showing that household financial liabilities have almost doubled since 1997. The section on the household sector balance sheet does not mention the collapse in the savings ratio.

It is not until we get to page 64 of Budget 2008 that we come to a section called "Promoting saving, financial capability and inclusion". However, what is there is frankly derisory and has no chance of reversing the drop in the savings ratio. There are three items under that heading, the first of which is the savings gateway. I welcome the savings gateway—I think it was first announced in 2002; it is not going to come in until 2010—but it is unlikely to generate large volumes of savings because it is targeted, on purpose, at people on benefits and tax credits. These are the very people who have been hit by the Budget's other measures and who will be least able to save, so that is not going to take the trick. I will read out the second measure, so that the House can judge what impact this will have on the savings ratio. It states that

"the Government announces that, from April 2009, the requirement for providers to receive the CTF"—

child trust fund—

"voucher from parents before opening an account will become voluntary rather than mandatory."

What is that going to do to the savings ratio?

The final item under this heading is a small increase in the individual savings account allowance, announced some time ago, which fails to keep pace with inflation. Those three items are a wholly inadequate response to a collapse in the personal savings ratio. Although the Government at least recognise the dangers of Government overborrowing, they do not recognise the dangers of the personal sector overborrowing and putting insufficient

savings to one side. If they do not want to go on increasing direct taxes, they could, and should, encourage saving. In particular, action should have been taken to freshen up the product range issued by National Savings and Investments—the Government's savings wing—which is beginning to look stale.

The Government have only about 7 per cent. of retail savings. Given that people are cautious about investing in the stock market, the buy-to-let market is looking risky and there has been a loss of confidence in many traditional products such as endowment policies, they have a real opportunity to help balance their books and help people to save by launching a new range of National Savings and Investments products. I am thinking of something to whet the appetite, such as the launch of premium bonds 50 years ago or the launch of personal equity plans and tax-exempt special savings accounts 20 years ago. I hope that next year's Budget will contain a proper saver's package to put that particular deficiency right.

Ms Keeble: Does the right hon. Gentleman agree that one priority product National Savings and Investments might usefully examine is child trust funds, which it does not provide but is ideally placed so to do?

Sir George Young: I welcome the child trust funds, but the sums involved are relatively small, they build up over a period of time and they will not get us back to the 9 per cent figure that I mentioned—a statistic that has fallen to about 3.7 per cent. A much more imaginative approach is needed to whet the public appetite for savings, over and above the child trust funds.

The second subject I want to touch on briefly is housing. At yesterday's Prime Minister's questions, the Prime Minister mentioned the target of building 3 million new homes by 2020. That was an ambitious target when it was announced, and in the light of subsequent events, I am worried that neither it nor, within it, the target of 1 million affordable homes, may be achieved.

A fundamental change in the funding of social housing has taken place over the past 20 years. Traditionally, the Government gave grants to housing associations or borrowing powers to local authorities, and they built social housing. The social housing market was insulated against the broader housing market. Nowadays, that has all changed and social housing is a by-product of market housing. Some 48 per cent. of the Housing Corporation's national affordable housing programme is being delivered on section 106 sites. Typically on such sites a private developer is building market homes, 25 or 30 per cent. of which must be affordable. That form of funding has many advantages: developments are mixed rather than polarised, and the cost of providing social housing falls in effect on the land owner, who gets slightly less of a windfall gain, rather than on the taxpayer.

Far from being insulated against the wider housing market, social housing is now, crucially, dependent on it. My concern is that the softening of the housing market will mean that both the 3 million figure and the social housing target will not be hit. If one examines the annual reports and the share prices of the country's house builders, and the comments of the Council of Mortgage Lenders, one finds that the outlook for housing is not good.

The Government could address two particular problems. One is in the Planning Bill that is going through the House, which will introduce the community infrastructure levy in place of the planning gain supplement. As the housing market begins to turn down, the community infrastructure levy will squeeze out the social housing that would have been provided under section 106, because that levy will take priority over affordable housing. That will result in an overall reduction in the number of affordable homes built and will threaten the delivery of mixed tenure developments.

The second problem, which should concern the Treasury, is the unresolved problem of the classification of housing association debt. The Government have been warned that the Housing and Regeneration Bill, which is going through the House, will add £47 billion to the public debt by redefining housing association borrowing. That would nationalise housing associations and lead to that sum being added to the public borrowing requirement. Not only would all that borrowing be added to the public debt, but housing associations would not be able to borrow in the future, blowing a hole in the plans to build 1 million social homes. The Government could address that problem in the Housing and Regeneration Bill and thus avoid it.

I turn to the wider housing market. The number of new home buyers in January was down to 50,300, which is a third down on the figure a year ago and is the lowest figure since 2002. First-time buyers face either higher interest rates or having to provide higher deposits. The average rate for a two-year fix with a 5 per cent. deposit rose 0.3 per cent. last month, although base rates fell. With the changes going on in the mortgage market, costs are likely to rise whatever happens to base rates. Interest and capital repayments are now at their highest level for some 20 years.

There was nothing in the Budget for ordinary first-time buyers. The bands for stamp duty remained unchanged and 61 per cent. of first-time buyers will pay it. While some changes were announced, only 4,000 buyers have been helped on to the property ladder since open market homebuy was launched. Having quickly read the housing finance review, I can see nothing that will change that position in the short term. Just one sentence shows that it is a very cautious document:

"As financial markets develop, a variety of innovative products may come on to the market that could help households access the housing market...However, these products usually involve an extra degree of complexity and will not be suitable for everyone."

So my second and final suggestion for the Government is that they may need up their sleeve a package of measures to restore confidence in the housing market if the future turns out to be less rosy than the Chancellor currently believes.

3 pm

Ms Karen Buck (Regent's Park and Kensington, North) (Lab): Tackling poverty, worklessness and inequality is not just a moral imperative, as it should be in a country that, happily, remains one of the most prosperous in the world—although no one would guess as much from some of the contributions that we hear in these debates. It is also a question of economic efficiency. When the Labour party campaigned in the mid-1990s, much was rightly made of the costs of economic failure. Many of

[Ms Karen Buck]

those costs of economic failure have been tackled over the last decade by the measures that have helped to reduce unemployment and increase employment rates, although there is a great deal more to do.

Before I concentrate on my main subject of child poverty, I wish to pick up some of the arguments made by my right hon. Friend the Member for—

Mr. Byers: Somewhere up north!

Ms Buck: Yes, somewhere up north. My right hon. Friend gave an important analysis of some of the challenges facing the public sector and I agreed with much of what he said. However, I have some anxiety—and it applied in spades to previous Administrations and applies a little to this Government—about some of his arguments. Individual empowerment should lie at the heart of government, but the danger is that an approach to public services based on choice and contestability carries an enormous risk. It is that as one makes progress on reducing unemployment and poverty through certain measures, it is possible—perversely—to increase the disadvantage faced by those who remain in difficult circumstances.

The school choice example is a good illustration. The Sutton Trust has analysed the figures, which reveal a trend, and I see it happening in my constituency. It is a demonstrable fact that the polarisation between the better-off and the worse-off has been intensifying in recent years. We must be very careful about measures that encourage and accelerate that process. They can end in expanding popular schools—setting aside some of the practical problems with that—so that other, less popular schools become even more the schools of last resort. That can concentrate high proportions of children on free school dinners in those schools. That trend is happening now, and it is one of the reasons why the gap between schools has been increasing.

Mr. Byers: It is happening at the moment, and my hon. Friend is right to say that the divisions are intensifying, but that is because we have an unreformed system. My argument is that we need to reform the system radically, and then we will see the sorts of improvements that have been seen in Sweden, which we often hold up as a good example of public service provision. Sweden has the educational entitlement, which discriminates in cost terms in favour of children from low-income families. That has broken through the downward spiral of aspiration and ambition that afflicts far too many families in both our constituencies. We have to reform the system, otherwise the status quo will condemn a generation of children to a poor quality of education.

Ms Buck: I have sympathy with the point about the education entitlement. I am certainly entirely sympathetic to the idea that we should concentrate the promised investment, which is very desirable, on bringing up the per capita allocation for children from low-income families to that which would be enjoyed by children in the private sector. That should be done as an absolute priority. It is an entirely desirable objective.

As a society and an economy, we are not yet comparable to the Swedish and Scandinavians. They began with decades of greater equality in public service provision and incomes. There is a risk—we have seen this in schools and neighbourhoods—that we will intensify the relative disadvantage not of 2 or 3 per cent. of the population but of almost a quarter of the population. As we benefit a small proportion of those disadvantaged people through some of the measures that my right hon. Friend proposed, we will leave behind in even deeper disadvantage a substantial minority. If we could find ways of adopting his approach without running that risk, I for one would be entirely behind him.

The Government, against a tight Budget in a difficult economic context, reaffirmed a commitment to end child poverty by 2020 and to seek to deliver on the target of halving child poverty by 2010. I welcome not only the commitment, although words are symbolically important and it is to our credit that we continue to maintain that emphasis, but a number of specific measures that, together with measures announced in the pre-Budget report, will add 500,000 children to those whom we will lift out of child poverty.

I welcome the specific recognition of the work that has been done by the London Child Poverty Commission. I have been a member of the commission for the past two years, as my right hon. and hon. Friends on the Front Bench know. In London in particular—although it is mirrored in inner-city communities in other parts of the country—we have an intensification of child poverty that is worse than that in any other part of the UK, with 41 per cent. of children in London living below the national poverty threshold. In inner London, more than half of all children live in poverty. Child poverty is deeper in London: far more children are in the lowest 10 per cent. of the economic distribution than in the rest of the UK.

We have heard statistics about poverty from people in all parties during the course of the debate. We sometimes forget to remind ourselves of what they mean: lone parents with two children have to bring up a family on about £5,500 a year. People in my constituency—almost certainly in every constituency, although in varying numbers—bring up their families on £7 a day for each member of the household. That is £7 a day to feed and clothe a child and, in theory, to pay for a holiday. Of course, many people in poverty never have a holiday. That £7 has to cover inviting their children's friends to a birthday party, which never happens for many children in poverty. It has to cover taking those children to somebody else's birthday party and buying a present, and many children in poverty are simply unable to do that.

That money has to cover the cost of a school uniform as well as of allowing the children to go on a school trip or to a sports club. In my constituency, children are asked for £3 a day to play football. That means that people with three children would be asked for £9. It seems like a small amount—the local authority says that it is—but if parents are asked to hand over almost 10 per cent. of their weekly income, which is all that is left for bills, for a football club, they will not do it. That is the scale of the remaining challenge.

Susan Kramer (Richmond Park) (LD): Does the hon. Lady agree that sometimes in areas of affluence, such as my constituency where we have something closer to pockets of deprivation, families suffer even more? There are no low-cost shops and Government

programmes do not reach out to those areas, so there is no Sure Start and no children's centre. Many services that help others are missing for families for whom they matter just as much.

Ms Buck: There is truth in what the hon. Lady says. She almost mirrors my opening remarks about the dangers of individuation. People living on a low income amidst affluence face particular problems of inequality and there are particular challenges in reaching those households. None the less, in a spirit of devolution—given the role we expect local government to play—it is incumbent on local authorities to work independently and with other partners such as Jobcentre Plus and the Government to help deliver services to children in poverty. It is thus extremely worrying that, as far as I am aware, only one local authority—and even that may have changed—has a child poverty target in its local area agreement.

If we are to eradicate child poverty in the UK, money lies at the heart of the process—let us be under no illusion about that—but life chances, too, are central to that goal, and local authorities and local partners, including local voluntary and community organisations, are often best placed to deliver targeted and focused support to families. I hope the Government will pick up on the deeply worrying fact that so many local authorities do not say in their local area agreements that as a priority they will make it their duty to help overcome the problems of worklessness and child poverty.

Mr. David Heath (Somerton and Frome) (LD): The hon. Lady's constituency is very different from mine, but one of the problems in rural areas is that individuals in a poor position are isolated from the support systems that she describes. Furthermore, local authorities are not funded to provide services to the most difficult-to-reach people because the unit costs of doing so are much higher than where there is an identifiable critical mass.

Ms Buck: I agree with the hon. Gentleman up to a point, but given that we are talking about devolution, one of the things we have to recognise is that each local authority has a responsibility to make a case to its local council taxpayers. Of course, there is a role for central Government in helping to support some of the measures, and in our debates about local finance we all make representations about the needs of urban authorities, the needs of authorities in the north versus those of the south and the needs of rural authorities versus those of London. The Government pick up many of those issues, but we continue to make representations on others.

We have to overcome a number of barriers if we are to meet the child poverty target, accepting, as we do, that for many people work will be the best way out of poverty. We know that incentives work. It is a proven fact. There may be plenty wrong with the administration of the tax and benefits system; we need constantly to refocus on how we can improve the delivery of tax credits, especially with regard to the overpayment problems. However, in principle, the tax credit system and other measures in the tax and benefits system are proven to work. The continuing problems of poverty and worklessness are in areas where the incentives do not work because they do not overcome the barriers.

Our London Child Poverty Commission has demonstrated beyond doubt that if the same level of incentive—for many people, not just for job entry but above all for job retention—delivered in London and other inner-city areas as it does in many other parts of the country, we would meet most of our targets. Why do the incentives not work? There are two reasons. The first is to do with housing costs, so I very much welcome the commitment to a review of housing benefit, although I shall wait to see what it says—I shall not approve it in advance. Clearly, we must make housing benefit effective as an in-work benefit, which it is not at the moment, particularly for families in high-rental areas. That review is welcome, and I will follow it very closely.

The other issue to consider is child care. One of the welcome paragraphs buried away in the Budget report included a commitment to extend the child care affordability programme in London. It has taken some time to get it up and running, but it is successful. It provides a subsidy to deliver affordable child care in areas of very high child care costs. It is a very good thing, and we want it to be rolled out and extended.

What does not work is the child care tax credit. The Government finally have to throw up their hands and say, "No, we've tried this; it is a failure; we must move on." As my right hon. Friend the Financial Secretary to the Treasury knows very well, I have supplied her with figures to demonstrate that in my borough—a whole inner-London local authority—only 400 households receive the child care tax credit. If we are to help lone parents in particular to make the leap from worklessness to employment and sustain it, we cannot say that the vehicle for delivering that is child care tax credit or, indeed, child care vouchers, the numbers of which we do not even track. We cannot rely on a tax credit that does not deliver for most people most of the time. It is now absolutely crucial that we pull up the stumps on the child care tax credit and say that we will switch it to a flexible form of funding—an Oyster card-style system that gives people an entitlement to child care that meets the needs of flexible child care, which is what parents want, particularly lone parents, who so frequently want part-time employment but cannot find part-time child care.

We must also do away with a number of other barriers, such as asking for a deposit for child care. A low-income family could be asked for £1,500 up front before they even get their child care place. I very much welcome the fact that the child care affordability programme has been delivering in my constituency. However—I must put this on record because it has horrified me so much—my local authority, which is the flagship Conservative borough of Westminster, has taken up the child care affordability programme but then put up the rents for the council nurseries. A nursery in my constituency—Westminster Children's Society, which is a voluntary organisation partner—is now paying back to the local authority £69,000 a year in rent. The money that the Government are paying for child care is simply pouring through the plughole and back into the local authority's coffers. If anyone can convince me that that local authority is working in partnership to tackle poverty and unemployment, I am prepared to buy them a very large drink.

Ms Keeble: Does my hon. Friend agree that it is complete nonsense that child care facilities, either nurseries or before or after-school clubs, that use school premises are charged exorbitant rents because of the requirements for economic returns under the private finance initiative contract? Does she agree that that problem needs to be sorted out, so that those child care services can continue to function economically?

Ms Buck: I agree. In fact, there are 100 anomalies in the system—some in local government, some in the benefits system and some in the tax credit system—and we have to work on them. It may be grey and detailed, but it is often in the precise implementation of benefits and services that the problems lie. Although I will vigorously campaign on next year's Budget for substantial additional investment by the Government in the child tax credit, the working tax credit and a number of other measures to help us to meet the 2010 target, it is important not to dismiss as trivial many of those relatively specific measures at different levels in the system that can trap people in unemployment and poverty.

I have said that incentives work. Indeed, we know that they work, so we do not need a harsher penalty regime. In the past year, the number of people on jobseeker's allowance subject to sanction has escalated. No one quite understands why that escalation has occurred, and it is fundamentally unnecessary, particularly for people with children, people on incapacity benefit and people with mental health problems. Sanctions will always be a part of the regime. No one is arguing that they should not exist and should not be applied, but it is through incentives, not sanctions, that we will crack this nut.

I should like to finish by reminding the House that we are talking about not pounds and shillings, but real people who encounter complexities and pressures that very few of us in the House have had to deal with, thankfully. In the past week or two—it is fresh in my mind—I saw in my surgery a bus driver and his family who are on tax credits. They are in temporary accommodation that costs £435 a week. The bus driver's income changes marginally every single week, which means that his housing benefit has to be recalculated every single week. Since he went into work, he has not been out of housing benefit arrears and has had three notices seeking possession of his house. For doing what we want him to do—for going into employment—we have threatened to make him homeless. That is the kind of problem with which we have to deal.

Then there is the case of a single mother with three children—boys and girls aged 14, 12 and nine—who live in a one-bedroom flat. They have to sleep in shifts. The mother is still trying to go into work, but when she was last in employment she, too, ended up with a housing benefit overpayment of £3,500, and she is now a tolerated trespasser. Under those circumstances, the incentive to go to work evaporates. Word of mouth goes round, and staff in Jobcentre Plus then tell people in similar circumstances not to even think about going into work. As I have already said, one mother who wanted to go into work was asked for £1,500 in advance to secure a nursery place for her child. As a consequence, as I think someone has said today, there are nurseries that are only two-thirds full. That is an absolute absurdity.

We are talking about real people who are struggling with a complex set of circumstances. In addition to the problems I have mentioned, many of them have experienced domestic violence or have been homeless. I met a family last week who have been in nine different temporary accommodation addresses in eight years. That is the level of complexity on which we have to focus. We have to find ways of simplifying the system without losing a fundamental generosity that provides an effective incentive, because as I have said three times—I will say it again in my last words—incentives work.

3.22 pm

Angela Browning (Tiverton and Honiton) (Con): Given that we have the largest budget deficit in western Europe, it is not surprising that yesterday the Chancellor spent a lot of time talking about other issues, which left many of us wondering whether we were listening to a Budget speech. Clearly he has very little room to manoeuvre. Macro-economic figures have been mentioned, but we should look at the reason why we are in our current position, and at the Government's inability to plan for the future, as regards the global turbulence that they keep talking about, and the domestic problems closer to home, many of which were brought about by the former Chancellor. I mentioned one of those problems in an intervention on my hon. Friend the Member for Tatton (Mr. Osborne): the disposal of the nation's gold supplies has left us £4 billion worse off than we would have been.

Another domestic problem is the raid that the former Chancellor, now the Prime Minister, made on the nation's pension funds. It is worth recalling that when Labour came to office in 1997, there were more funds in private pensions in this country than in the rest of Europe put together. Anybody who was then in work and who was doing the right thing for themselves by saving for their future—creating their pension—would have had confidence that when they reached retirement age, they would have provided for their retirement, having made significant contributions from their earnings. As we know, it is increasingly the case that when people now reach state retirement age, they face greater financial uncertainty than previous generations did. Today I would like to address the issues affecting that group of people.

Quite properly, we have heard much in today's debate about child poverty. It is an important issue, although I notice that we still did not get the Secretary of State to confirm from the Dispatch Box that he intended to meet his own 2010 target, which after all is only two years away.

I shall focus on the older age group, and perhaps I should declare an interest as I am in receipt of the state retirement pension and will benefit, of course, from the increase in fuel support announced by the Chancellor yesterday, which is welcome. However, in my constituency, there is a high proportion of people living on retirement incomes, coupled with a working population. In the south-west as a whole, we have historically had lower than average wages, but in my constituency we have

wages lower than the south-west average. I am therefore used to constituency casework that deals with the difficulties of a retired population, and particularly with the difficulties of families on low incomes.

It is important to consider single people. Not everyone marries, and single people get older, too. They often do not have high incomes and they eventually get to retirement age, so I shall look across the spectrum at those on lower incomes generally. What I see in the immediate future for them are insurmountable problems. We know that the retail prices index is at 4.1 per cent., but that is no indicator of the real cost of living. That is true throughout the country but especially in rural Devon where people rely more on their own vehicles or on a very fractured public transport system.

Food prices, for example, have gone up by 7 per cent. In the South West Water area, which includes my constituency, water rates in the coming year will go up by 8.7 per cent. Even those who have a water meter will see an increase of 5.6 per cent. in their water charges. Council tax has gone up above the RPI rate. Attention is not always directed at the elements of the council tax. One of those, the police precept, is up by more than 7 per cent. in the coming year. Those are all bills that must be paid out of modest fixed incomes.

Mr. Heath: One other fixed cost for the people the hon. Lady is describing in her constituency, as in mine, is liquefied gas or oil-fired central heating for their homes, which has risen out of all proportion to its previous cost.

Angela Browning: I agree. I know the profile of the hon. Gentleman's constituency, which is not dissimilar from that of my constituency. The next item on my list was fuel, which is up 19 per cent. When we speak about fuel, we encompass the cost of travel. For many people, it is not just a matter of travelling round looking at the beautiful Devon countryside, but of travelling to access essential services such as doctors and dentists, for those who have one. All that adds to the household bill.

We know that people's disposable income has dropped and is forecast to go down further. Nothing in the Budget gives me any comfort that the Chancellor is suggesting ways in which the drop in the standard of living will be mitigated. It gets worse for a certain group of people on lower incomes who have already been mentioned in the debate—those affected by the changes announced by the Prime Minister in his last Budget as Chancellor, which the Liberal Democrats rightly call the doubling of the 10p income tax rate. It was paraded as a reduction in tax, but those—ironically, the very hard-pressed group I am describing—earning just over £5,000 and up to £18,000, which includes many pensioners and many on low incomes, will see their income tax go up.

I wrote to the Financial Secretary on behalf of one such constituent—a lady constituent of mine—and received a letter back outlining why, in the 2007 Budget, the then Chancellor had felt that that had been a good move. It was a good move for people like me, who earn a higher amount of money and pay a higher rate of tax, but at the end of the day, given what I and many like me earn, we will not experience the same impact as my constituents on lower incomes. In her letter, the Financial Secretary said:

> "I acknowledge that there are some individuals who will lose out through these changes, including pensioners aged 60-64. however, these losses will be relatively modest, at around £2 a week on average."

I shared that response with my constituent who wrote back to explain:

> "£2 a week might be a modest amount but it represents 1.5 per cent. of my pension. My husband will also be in the same position until he is 65 and the £2 a week for each of us equates to the total £200 of the heating allowance!"

It seems quite appalling that no consideration was given in 2007 to how this new tax would impact disproportionately on those on fixed incomes and those on low earnings, of whom there are many in my constituency.

I say to the Financial Secretary that it is not too late. Many of us in my party have heard for many years about fairness and justice—they were referred to earlier by the right hon. Member for North Tyneside (Mr. Byers) in a very good speech. I ask the Financial Secretary, where is the fairness and justice on the part of this Labour Government? They are penalising those on modest incomes, particularly those who are about to become, or have just become, pensioners.

It is now popular to talk about pensioners working for longer. Fortunately, many people in their 60s are fitter and healthier than those of the previous generation. We all understand the demographics, but I am enormously worried about those who reach retirement age, having saved and planned for it and having worked hard all their life, who find that there is not much choice about whether to give up work at the state retirement age. Psychologically, there is a huge difference between someone who is giving up full-time work and looking to do something slightly less onerous—I count myself among those, as I shall be standing down at the next election—and someone who reaches retirement age and knows that they have to work because the money they had counted on having is just not there. That will surely lead to a deterioration in people's health, and it goes without saying that people who get to their mid-60s often do not know how good their health will be. It is a bit of a lottery, but we often take it for granted.

It is not too late. Following this Budget debate, there will be a Finance Bill, and I ask the Financial Secretary to consider the matter seriously. If the Government do not make changes to the aspects of the 2007 Budget that will have such an impact, we can only assume that that impact was their intention. Surely it cannot have arisen because they ommitted to consider the effects on that particularly disadvantaged group of people.

We have heard much about savings, including from my right hon. Friend the Member for North-West Hampshire (Sir George Young). As disposable incomes decline, people are less likely to have any money to put aside or save for the future. That leaves them feeling exposed and vulnerable. It does not make for an inclusive society in which people feel that they can look forward to old age; instead, it makes them fearful, and that is not good.

Let us consider small businesses. As a former member of the Federation of Small Businesses. I read its press release after the Budget with some amusement. Its headline reads "FSB welcomes a Budget speech with no nasty surprises". The Minister of State,

[Angela Browning]

Department for Work and Pensions, the right hon. Member for East Ham (Mr. Timms), nods in approval, but he should reflect a tad and realise that that is not much of a compliment. The organisation is saying, "It's pretty bad but we were expecting the worst and it's not as bad as it might have been." I emphasise that that is not a compliment. The Minister should be cautious about taking it as such, especially when he reads the FSB's poll of small businesses on whether they have confidence in the Government.

Mr. Heald: My hon. Friend may have noticed that I left the Chamber for a few minutes. I was lobbied by the FSB, which is not happy. It says that 2,000 local shops close each year, that there will be no independent retailers in the UK by 2015 and that it expects 50,000 business to close. Perhaps its opinions are catching up.

Angela Browning: My hon. Friend is right, so the Minister should not take comfort from the headline. We hear much about employment figures, but an economy that is genuinely growing creates jobs. Small businesses usually create those jobs and, if that sector fails, there will be fewer genuine jobs—people doing real things that create real wealth for the rest of the economy. The Government should not ignore that serious trend.

I am about to say something nice, which was jolly hard to find, about yesterday's Budget. The announcement that the Government intend to defer the plans for income-shifting rules, which are incredibly complex, is welcome. I know from the lobbying that I have had, especially from family firms, that those rules were deemed to be bureaucratic and a genuine burden on business. The Government said yesterday that they would defer them. I hope that the Financial Secretary will go further and say that they are off the back burner altogether. She shakes her head. Here we go—another burden on business.

That leads me nicely to my final point, which is not only for those on the Treasury Bench but for my Front-Bench colleagues. Yesterday's Budget was boring. I think it was meant to be boring, and it will probably count as the most boring Budget speech ever, but it could have been livened up, even without money to spend. Although he is in debt and has overspent, the Chancellor could have come up with some innovative ideas which would have made people outside, especially taxpayers, feel that the Government were on their side. I want to present—

Mr. Charles Walker (Broxbourne) (Con): The alternative Budget.

Angela Browning: No, I would not presume to do that. I want to present an idea that I hope the Government will take up. If they do not, I hope that a Conservative Government will do so in a year or two.

With the amalgamation of the Inland Revenue and Customs and Excise, something disappeared from our national life. In 1986, the Conservative Government introduced the taxpayers charter. I do not criticise the amalgamation of the Inland Revenue and Customs and Excise, but the Chartered Institute of Taxation has produced—I hardly dare say it—a consultation document. The Government love consultation reviews, so I am sure they will accept my invitation. I ask them seriously to consider the comments of the Chartered Institute of Taxation, because the relationship between the state and the taxpayer through HMRC is important.

Most countries have a taxpayers charter. Although we were the first country to introduce one in the mid-1980s, the amalgamation means that its purpose has become obscure and opaque. In other words, the taxpayers charter is not really enacted—or rather, it is there but it does not work properly. The Financial Secretary has probably already got a copy of the Chartered Institute of Taxation's document, which is an options paper. I would ask her to consider it carefully, because where there is a recognition of both the rights and the responsibilities of taxpayers, the relationship between those who collect taxes and those who pay them is much fairer.

As a member of the Public Accounts Committee, which has just looked into the National Audit Office report and taken an evidence session on it, considering the non-payment of taxes and how HMRC goes about collecting them from the corporate sector in particular, where they are not paid properly, I believe that a reviewed taxpayers charter would be a valuable addition to our tax system. I hope that the Financial Secretary will be able to give a positive response on that.

3.41 pm

Ms Sally Keeble (Northampton, North) (Lab): I am pleased to take part in this debate, which concerns one of the most important parts of the Budget. I want to talk about some of the Government's anti-poverty measures, particularly those to tackle child poverty.

In discussions about the economy there is often a disconnect between discussion about the macro economy and discussion about the micro economy. People talk about either global economic shifts or the personal finances of people who are poor, but for me the two are different sides of the same coin. We will not be able to achieve the place that we should in the global economy or equip our society and economy to compete unless we deal with the factors in our society that still hold people in poverty. In particular, we will not achieve what we need to compete as a high-skills, high-value economy if a percentage of children are born in poverty, grow up in poverty and end up out of work because they are denied access to the skills and services that the Government have discussed in their anti-poverty strategy.

Although all of us who are concerned about child poverty will have criticisms of some of the measures in the Budget and of what the Government have done, that is mostly because we want those targets to be achieved. It is clear to us on the Labour Benches that the Government's commitment to tackling poverty is a giant leap forward from what we saw in the 1980s and most of the 1990s. That is partly because of the understanding in government of the need to tackle the factors of poverty, as part of equipping the UK for the challenges of the 21st century, and partly because we understand the complexity of what is needed to deal with poverty. As my hon. Friend the Member for

Regent's Park and Kensington, North (Ms Buck) has said, in addition to the grand vision, we need to understand the detail of the rules. In that respect, some of what is in the Budget—albeit tucked away—will make a substantial change.

There are three measures to tackle child poverty directly. One is the child benefit increase, which will obviously benefit middle and higher-income families, as well as the poor. In that sense, it is perhaps a blunt instrument for tackling child poverty. However, the work of the Treasury Committee has emphasised the importance of looking at a simple universal benefit, in addition to the more targeted ones.

Although no one has talked about this yet, one measure that will have a dramatic effect is the disregard of child benefit for housing benefit and council tax benefit purposes. That will mean that those families who are in the greatest difficulty and who need support with their rent and council tax will not experience a withdrawal because of the increase in child benefit. For me, that is probably the measure that will most improve the income of the poorest households.

I ask Ministers to consider this point. The system is fine for people who are in social rented housing, or who are housed by the council or by a housing association, because there is a proper cap on rents. However, one problem that particularly affects my area is pressure on homeless families—particularly the most vulnerable, such as lone parents—to go into private sector rented accommodation. The rents for such accommodation seem to work by landlords taking whatever is paid in housing benefit and then fixing the rent at the amount that they think people will pay out of their other benefits. People in that accommodation therefore pay not only their housing benefit but £50 or £60 out of their limited other benefits. Alternatively, they might have a parent who coughs up, in which case the landlord charges a bit more.

There is a single parent in my constituency with one child who is living in a privately rented one-bedroom flat. She is paying £525 a month, and she has just lost her job and is going on to benefits. I do not know how anybody is supposed to pay a private sector landlord a supplement of probably £100 out of their benefits. If we are to increase benefits for families, we must ensure that those benefits are spent on their children, better food and school services, which my hon. Friend the Member for Regent's Park and Kensington, North (Ms Buck) has mentioned, and that they do not just pay increased rents to private sector landlords. I hope that steps can be taken to ensure that.

Another important matter is the increase in the child care element of the child tax credit, which will go directly to the most hard-up families. I completely agree with the comments that were made about it earlier—it is a puzzle why it has not worked, because there previously seemed to be a reasonable take-up. One thing that might have put people off is the fact that, because it is a generous benefit, the results of an overpayment are catastrophic. Someone can ratchet up £135 a week or so in overpaid tax credits. For families that are struggling, overpaid credits are a problem anyway. If the overpayment is of the child care element, it can run into thousands of pounds.

It may well be that in some parts of the country people spend many years on tax credits. However, in my constituency a number of people, particularly women, are on tax credits for a while, because they are working part-time. Once their children are older, they move into full-time work and come off tax credits, because they are earning too much. If there is an overpayment at that point, they get clobbered, because they have to pay it out of their income rather than through a rounding off of future tax credit awards. For a number of women, that causes fury, because it hits at their aspirations. Such women have worked to improve their position and to get themselves into a professional job, perhaps by training to be a primary school teacher or something like that. They get into a decent job, but then get hit by a public sector debt, which is very much resented. I hope that some thought can be given to that.

The improvement of the benefits is exceptionally good, and the new payments to child trust funds are important, but we must also focus on improving take-up. The right hon. Member for North-West Hampshire (Sir George Young) has mentioned savings, and I think that he believed I was referring simply to the Government paying into child trust funds. I am concerned about the take-up of child trust funds, which tends to be better in more affluent areas. In my constituency, take-up is 75 per cent., but in the poorer area of Salford, it is 62 per cent., so we need to improve take-up in the poorest areas.

It would also help if we ensured that the financial services institutions that are most trusted by the public had the right products to meet that particular market. It is a matter of regret that National Savings and Investments does not provide a child trust fund product—the right hon. Member for North-West Hampshire will recall that we discussed the issue in the Treasury Committee. That seems to me to be a significant gap. That institution has a good public profile and a high level of trust, so it might be possible for it to encourage people who might not otherwise think of taking up savings schemes for their children to do so.

I want to say a few words about structural poverty, as the Government's agenda for welfare reform, which I very much welcome, is particularly important there. If people are poor when they are out of work in my constituency, it is often due to some particular disadvantage—for example, suffering from a disability or long-term illness that prevents them from going into work. When that happens, the children also suffer. Lone parenthood is another major issue, and we all know that the Government have made it a challenge to ensure that more lone parents get into work. The figures show a massive improvement, which is largely due to the amount of detailed work that went into the new deal for lone parents. I very much welcome that.

The Government also have a programme dealing with incapacity benefit, which ensures, for example, that people get opportunities for interviews. They are offering people active encouragement—more than just support—to think about retraining and going back into work. That is an exceptionally important way of dealing with continuing issues of poverty in the UK. I do not underestimate the scale of the problem of getting people who have been on incapacity benefit back into work. I see people in my constituency surgeries who have had alcohol or drug abuse problems

[Ms Sally Keeble]

or who might have had industrial injuries some time ago and are shifting from unskilled or manual work, which has largely disappeared, and are perfectly capable of being retrained for other types of work, although they may not have thought about doing that. Similarly, lone parents who have never been in work or who have been out of work for some time can find it challenging to retrain to go into a workplace that is unrecognisable from just a few years ago.

It is evident from figures released by the Treasury on the take-up of benefits that ethnicity is still a significant factor in poverty. I am sure that the Minister of State, Department for Work and Pensions, my right hon. Friend the Member for East Ham (Mr. Timms) will recognise that from experience in his constituency. It is still an unfortunate feature of life in the UK today that people from black and ethnic minority communities—and particularly certain communities within them—are much more likely to be excluded from the labour market. There is a serious need to overcome those gaps, which is one reason why I particularly welcome the extra money put into encouraging enterprise, especially among women, and small businesses. In my county, about 94 per cent. of businesses are small and medium-sized enterprises. Like other hon. Members, I have noticed that self-employment and small enterprise offer a different way into work for those who experience what they perceive as exclusion from the traditional labour market. Local authority schemes to encourage women to consider setting up and expanding enterprises have been extremely important.

I welcome the Budget measures to deal with pensioner poverty. I very much welcome the proposed extension of fuel allowances, which will tackle one of the biggest problems facing older people, particularly given the increase in fuel prices. I also welcome the measures that the Chancellor set out to deal with pre-payment meters, given the much higher prices that those who use them have to pay. I hope that the Government will also work with the energy supply ombudsman, who does an outstanding job dealing with unfair bills, to examine recent charging by some power companies. To single one out, E.ON seems to have been sending out some exorbitant charges with not much justification.

Angela Browning: I mentioned South West Water charges in my speech, and I share the hon. Lady's concern about fuel. Does she share my concern that the regulators do not seem to be doing the job that they should do to make sure that consumers ultimately get the right deal from the utilities?

Ms Keeble: I think that the hon. Lady is right; she certainly has a point. Again, one of the issues is people knowing their rights. If an ombudsman is intended to deal with a particular service or issue, people should know that they can go to that person. Someone came to see me who was on benefits and had been sent a £500 bill by E.ON. He had proof that he had paid all his bills up to date, and was asking how on earth this could happen. It is important that people know that they can go to an ombudsman and get such issues resolved. For those on low and fixed incomes, getting a high bill can be frightening. Older people in particular will think that they ought to pay the bill, and start to pay it out of very low incomes.

I also welcome the extension of the concessionary travel scheme, which is a particularly important benefit for older people. I urge my colleagues on the Front Bench to consider ways of improving take-up.

I agree with the hon. Member for Tiverton and Honiton (Angela Browning) about the impact of the withdrawal of the 10p starting rate, which will affect some people disproportionately. The group that I would single out is women pensioners between the ages of 60 and 64 who are on a fixed pension. According to information that I have seen, they could face a doubling of their tax bills. To people who can do a bit of overtime to make the money up, £2 is not the end of the world, but it represents more to those who do not have that opportunity. People in my area would tend to say, "If they are taking £2 off me, and then giving it back in the winter fuel allowance, why not just leave my pension be?" This matter requires real thought.

Across the generations, women pensioners have had a tough deal. It is unfortunate that those whose pensions are large enough to be taxed should experience an increase in their tax burden just when their husbands or male colleagues are finding life a bit easier, because they have retired at a higher age and benefit from the increase in the tax allowance.

One of the anti-poverty strategies in the Budget that has not been discussed is extra funding for failing schools. I welcome that, not least because 20 primary schools in Northamptonshire are in special measures or have been notified that improvements are needed. If we are to equip children to meet the challenges of the future and provide the skills base that employers need, the extra money to improve schools will be a key factor in tackling the vicious circle of poverty that is perpetuated by children leaving school without the necessary qualifications.

Along with the need to ensure that people who are out of work are not in poverty, there is the need to tackle in-work poverty. As the Treasury Select Committee has pointed out, that is one of the big challenges that we face, and the Government will have to tackle it if we are to reach our target of ending child poverty. However, I welcome the anti-poverty measures in the Budget. I see them not as a signal of failure, but as a signal of the Government's real commitment to tackling what is not only a blight on society by any standards, but a drain on our country's ability to secure the economy and society that we want for the future.

I wish the Budget measures well as they work their way not only through the House but out into communities, delivering a much better life for our constituents.

4.2 pm

Mr. Oliver Heald (North-East Hertfordshire) (Con): In a thoughtful speech, the hon. Member for Northampton, North (Ms Keeble) highlighted the implications of the Budget for pensioners. I felt that what she said tied in with the point made by my hon. Friend the Member for Tiverton and Honiton (Angela Browning) about the effect of the current financial settlement, and the general economic conditions, on pensioners and people on fixed incomes.

The hon. Lady could be said to have issued a challenge when she observed that many of the speeches that had been made so far had concerned either the macro level or the micro level and that the two should be brought closer together, and I thought I would take up the cudgels. It seems to me that the world economic trends of recent years have been helpful to the United Kingdom. The growth of India and China, for instance, has meant imports into this country of cheaper manufactured goods, which have provided a brake on inflation. At the same time new markets have opened up in those countries for British services—our service industries have done very well—and there has been a flood of money into the City of London from those new great economies, and from parts of the world such as the middle east. Huge amounts arrive in the City from the Gulf each day to be invested.

While the overall picture is of a brake on inflation and the possibility of considerable growth in the British economy, I think we have reached a point at which the balance of advantage is changing and we are at something of a tipping point. As I think about the current effects of those great changes, it seems to me that we are beginning to see a world in which we are vying for economic resources, energy and food, and prices are rising as a result. An effect that used to be benign has become inflationary. The Chancellor talked in his Budget statement about increased inflationary pressures over the next two years, and it is hard to see how they will ease, so it might well be the case that we are moving into an era in which inflation will be a problem, as it used to be. Through most of my life—certainly my political life—inflation was for many years the No. 1 issue.

Inflation impacts negatively on the very people whom the hon. Member for Northampton, North and my hon. Friend the Member for Tiverton and Honiton talked about: pensioners and people on fixed incomes who find that their savings, which they had set aside year after year, are suddenly worth very little. Their economic position is very much prejudiced by inflation.

The great battle of the 1970s and 1980s was to try to get inflation under control, and one of the great boons of recent years has been that we have not had such a concern about inflation. On my reading of the Budget statement, the suggestion is that inflation will be 50 per cent. higher over the next two years than it was over the last two. If that is right, and we also consider the other great challenge of the sub-prime mortgage situation and concerns about the banking system, we must now worry much more about inflation than we have for some years.

Let us consider that banking problem. None of the banks currently have sufficient confidence to lend to one another because nobody really knows what the derivatives—the packages of debt that were put together—are worth, or how to price or value them. That is a major problem for the financial system. It is why billions of dollars are being pumped into the system, and everyone hopes that the steps the central banks are taking will work.

The current challenge for the British economy is to stimulate demand without fuelling inflation. Against that background, the normal remedies would be to have low interest rates and, lower taxes, or at least to keep them as low as possible. However, at a time when there are concerns about fuel bills increasing and food prices rising—very fast in the last year—is it sensible for the Government to throw oil on the fire by increasing taxes on items, such as a pint of beer, that people have to purchase, as that must start to change expectations about wages? The old cycle was that as taxes and commodity prices went up, people asked for higher wages, so wage inflation took hold. That cycle started, and inflation became the huge problem that it was. I question whether the Budget judgment is right if it involves these substantial tax increases, as they are not in the interests of the economy.

I agree with the hon. Member for Northampton, North that there are some good measures in the Budget, such as the winter fuel payments for pensioners and the target to halve the number of children in poverty by 2010. It would be marvellous for our country if that could be achieved. I did not agree with the Secretary of State that there are any great differences between the positions of the parties, however. The fact is that the Secretary of State is not giving a guarantee that he will deliver on the pledge—far from it; he is saying that he will do his best. If the pledge was a guarantee, he should put his job on the line and say, "If I don't meet this firm promise to the British people that I am guaranteeing, I will resign," but he is not saying that. Instead he is saying that he will do his best, which is what everyone else is saying. It is an aspiration and a target, not a guarantee.

Ms Keeble: There is a complete difference between the Government, and the Liberal Democrats and the hon. Gentleman's party in this regard. Both opposition parties have opposed Sure Start, healthy start vouchers, the child tax credit, the child care tax credit and the child trust fund. Every single measure introduced to target low-income children was opposed by both the hon. Gentleman's party and the Liberal Democrats.

Mr. Heald: The hon. Lady is just plain wrong. For example, when the child trust fund was first mooted, I was a work and pensions spokesman and we supported it. There may have been details of the scheme with which we disagreed—the hon. Lady will accept that such an exchange of views is reasonable—but we supported the principle of having such a capital welfare scheme. In fact, we had ideas about making the pipeline into adulthood stronger. We came up with a plan for an individualised savings account that could follow on from age 18, so I do not accept the point that the hon. Lady makes.

I do agree with the hon. Lady, however, that the changes that the Government have suggested, such as increasing the child benefit rate for the oldest child and the proposed changes to housing and council tax benefit, are all good things and will make some difference. However, we should look at the overall background. The number of children in child poverty went up by 100,000 last year, so such changes will make nothing like the difference necessary to meet the target. Save the Children has done its figures and its spokesman on child poverty, Jason Strelitz, has made it clear that in its view, 450,000 children will still be in child poverty in 2010. Indeed, the Government's own figures suggest that, so one cannot say that this target is likely to be met, but it is a very useful one to have, to

[Mr. Heald]

generate activity within the Government and press an important agenda. However, to say, "We're pledging this and you're aspiring to it," is just a bit of party political nonsense.

Severe child poverty, on which Save the Children produced an extremely good report, is a key issue. Save the Children gave evidence to the Work and Pensions Committee on this issue and according to it, 1.3 million children are living in severe poverty, by which it means that they have less than 50 per cent. of the median income, and that particular necessities of life are not available to them. Severe poverty is increasing and has done so since 1997. Equally, there has been no improvement at all since 1997 for couples with a child living in poverty. So tackling severe poverty and the poverty of couples with a child is a great challenge.

Importantly, Save the Children pointed out that take-up of some of the most important benefits is very low. It said that the quids for kids scheme, which the Government ran last year, was an example of a take-up campaign that might make a difference. In considering child poverty, we should not just look at where the natural focus is because of the target—at nudging those who are just below the poverty line just above it, in order to meet a target. We should genuinely concentrate our efforts on the most deprived, where we do have a serious problem.

Social mobility is another very important issue that a number of speakers touched on. The Sutton Trust recently undertook two important studies, one of which looked at social mobility across the major developing countries. It showed that ours is one of the worst for social mobility, and that we are not providing really good opportunities for those in the bottom quartile to move up. The other study, which is quite interesting, looked at the social mobility of children born in 1958 and of those born in 1970. The 1970 group was far less socially mobile than the 1958 one, so we have lost ground on social mobility. Since 1979, no improvement has been made in social mobility during either Labour or Conservative years, and we must ask ourselves why.

Let me give an example of the scale of the task. About 38 per cent. of those whose parents were in the bottom quartile are still in that quartile when they hit 30 years of age. That is not a hopeless picture, because 62 per cent. of that next generation are moving up from the bottom quartile. The 38 per cent. who are not moving are an interesting group. We must examine why that group is not moving up generation on generation.

The Department for Work and Pensions has helpfully done some research examining the factors influencing social mobility. It found that education, which hon. Members from all parts of the House have mentioned, is an important factor influencing social mobility. If we examine what is happening in education in this country, we can see why there is a deprived group on local incomes and in poverty that does not do better in the next generation. I believe that the reason substantially relates to reading, writing and adding up—literacy and numeracy.

Each year, some 40,000 children leave school at 16 unable to read, write and add up properly—they are functionally illiterate. They could not write to their bank to explain a change of address—that is what functional illiteracy is. It is good that the Government are trying to rescue some of those people. Some 300,000 young people in our country are functionally illiterate and innumerate, at a time when all the jobs are moving up a ladder of skills, and reports show that in a few years' time there will be no jobs for people who do not have basic skills.

It is therefore right that the Government are putting money—£60 million in this Budget—into basic skills education, but that is not the answer because it merely rescues people whom the system has failed. The right hon. Member for North Tyneside (Mr. Byers) was saying how he would like secondary education to be improved. Obviously, improving education at any level is a good idea, but the real battle is still in the primary schools. By the time a child moves up from infants to junior school, they should have the rudiments of reading, writing and adding up. We must catch children at that point if they are not acquiring those skills and ensure that they do. The Government still need to make a strong effort at that point to get those young people reading and writing, so that when they reach secondary school they do not end up always bunking off or hiding at the back with their head down so that the teacher does not ask them a question.

Ms Keeble: Does the hon. Gentleman accept that in addition to the work on improving primary schools, educating adults is particularly important because they can help their children at school? An inspirational in-work scheme run by a bus company in Northampton has taken a woman from being a cleaner in that company to being a qualified social worker who has a university degree. That has been done in a short time through inspirational basic skills training.

Mr. Heald: I agree about rescuing people whom the system has failed. Councils run some very good schemes to give basic skills to some of the staff—the estates staff, the gardeners and so on—and there are many examples of people moving up the system as a result of such help. But in our society, the average reading age of those in prison is 11 and there is a very high incidence of bunking off school, truanting and persistent absence. I do not know whether the Minister is aware that the Government's figures show that by year 11 some 60,000 children—11 per cent.—are persistently absent from school.

We have a serious problem with basic education. If we are to tackle the problems of social mobility, we need to tackle that. It would also help us with many social problems. For a Government who started out talking about "Education, education, education", we are still a long way from succeeding on a vital issue. It is sad that synthetic phonics is not used more widely for teaching reading in schools to students who are struggling. I know that Ministers have said that synthetic phonics must always be part of the package, but it is used in special schools that teach reading to children with real barriers to learning, and much more could be done in that area.

My final point concerns disabled children. The Select Committee has heard recently that child care provision for disabled children is not very good. Places with the specialist provision that disabled children need are not

available, and the costs are not properly reflected in the benefit system. It is time that Ministers had another look at that. The report "The best start in life?" has an important section on the benefits and help needed for disabled children. Given that 11 per cent. of the children in poverty are disabled, tackling the particular difficulties that they face is obviously an important part of the task of Government in trying to meet their targets on child poverty.

On the Budget overall, I ask whether we will see inflation coming back into the system, and I worry that the Government's response to that threat is increasing taxes. At the same time, we are still a long way from achieving our aims in alleviating deprivation and tackling child poverty.

4.21 pm

Mr. Charles Walker (Broxbourne) (Con): I am grateful for the opportunity to speak in this important debate. At the start of the debate, I was slightly glum, especially after the opening speech by the Secretary of State for Work and Pensions. He is actually a very nice and decent young man, and his über-partisan tone let him down somewhat. However, my mood has been immeasurably improved over the past four hours by the quality of contributions from Members on both sides of the House. I shall endeavour not to lower the tone.

My mood has been improved further by being able to welcome the Financial Secretary back to the Front Bench. I know that she has been back on the Front Bench for nine months, but this is the first chance that I have had to congratulate her on her return after a short period of retirement on the Back Benches. Clearly they did not suit her as well as the Front Bench.

I wish to put on the record the fact that I love capitalism. It is a wonderful thing. It pays for many of the things that we enjoy as a wealthy society and take for granted. My one regret is that I was not very good at being a capitalist. I wish that I had been better at it and entered this place with a deal more money that I currently have—indeed, my wife wishes that even more than I do—but my lot is not a bad one. So I am a capitalist, red in tooth and claw. But in October last year, I was pleased and proud when our shadow Chancellor, my hon. Friend the Member for Tatton (Mr. Osborne), said that as a party we would levy a small and not unreasonable tax on those people who take advantage of non-domiciled status while they live in this country.

I was genuinely delighted that the Chancellor picked up the ball and ran with it on that issue. Over the intervening six months, I have been amazed by the media reaction to those proposals. Anyone reading our media, especially the broadsheets, would think that they were read only by the 120,000 non-doms who live here, such has been the outrage of journalists at those modest proposals. Indeed, one would think that journalists in this country spent most of their time on swanky yachts and in the posh houses of Holland Park with non-doms, so vociferously have they fought the cause of that tiny minority of people. It has been fascinating how the *Evening Standard*—a very good newspaper—has reported breathlessly that 10 American non-doms will leave this country. Some 120,000 non-doms live in this country, of whom only 8 per cent. stay for more than seven years. I am sure that every week hundreds of non-doms leave this country and hundreds more come in again.

I do not want to attack the noble profession of estate agents, which stands somewhere above the equally noble profession of being a Member of Parliament. Again, the *Evening Standard* reported that estate agents feared that the property market above £5 million might collapse because non-doms were going to leave the country. That might not be a bad thing. We need property prices to go down a bit so that people born and bred in this country have a chance to get on the property ladder. Indeed, it might mean that our home-grown millionaires would have a fighting chance to get that home in Holland Park. I do not want to attack the press; I am sure that no matter how much I attack them they will attack me far more effectively. I shall move on quickly.

As the Member of Parliament for Broxbourne, I am not overly interested in the fate of non-domiciled people living in this country. I am glad that they are here and I welcome the great contribution that they make to our economy, but I am paid to represent hard-working men and women who have the franchise to vote in this country. Indeed, I represent about 72,000 people. As a Member of Parliament in this great mother of Parliaments, I am more concerned about the 200,000 British citizens who leave this country every year than I am about the 1,000 or so non-doms who might leave when the tax changes come into force. I doubt that more than a handful will leave. The media scaremongering will prove to be just that.

I am worried about the low earners in this country and about the fact that as of 1 April, or 5 April, 5 million people will start to pay quite a bit more in income tax. I am concerned that people on tax credits are still suffering huge marginal rates of taxation. Some 2.5 million people still suffer marginal rates of taxation of more than 60 per cent. I hope that I am not being partisan in mentioning that point, because it was raised eloquently by a number of Labour Members who have spoken.

I am also worried about my middle-class voters. Many feel disfranchised and many, not only in my constituency but in constituencies such as that of the hon. Member for Ealing, North (Stephen Pound), are choosing to pack their bags and leave this country. I want to know why they are leaving; I am sure that everybody in the Chamber does. Is it because they do not feel safe in their communities any more? Do they feel that they cannot access good and proper education for their children? Do they feel that they are paying too much tax? Are they afraid of increased crime levels? I am not trying to be partisan, but we need to understand what motivates the people who leave this country and to start to address their concerns.

A recent Ernst and Young report found that the middle classes' disposable income has fallen significantly since 2003. In 2003, after taxes and bills, they had 28 per cent. of their income left to spend on the things that they like to spend it on. That figure is now 22 per cent. They are feeling squeezed. Wherever we come from, we represent the middle classes as well as those who are higher up or lower down the income scale.

[Mr. Charles Walker]

I do not want to be accused of soaking the rich, but we need a tax system that is not just perceived to be fair but really is fair. We cannot have a Marie Antoinette society—a "Let them eat cake" society where the rich few float above the rest of the population and the poor bloody infantry work day in, day out to make ends meet. I want taxes to be reduced—I really do—but I want to make sure that tax breaks are spread evenly across the income groups and not just focused on the very rich.

I believe in enlightened self-interest. As a moderately successful, middle-aged, middle-class man on a good income, I would like my tax burden reduced—Mrs. Walker would love my tax burden to be reduced. More importantly, however, I would like the tax burden reduced for the least well-off in my constituency; they really are the most deserving of a tax break.

Will non-doms flee the country in droves? I do not believe that for a minute. Research by *Taxation* magazine suggests that only 8 per cent. of the 120,000 non-doms in the UK—between 9,500 and 10,000;—remain for more than seven years; the rest come and go.

Large American merchant banks use things called work-force management and work-force rotation. Many bright and talented people around the world are capable of earning £3 million or £4 million a year. I wish I was one of them, but clearly I am not. After five or six years, the human resources department will say to those star foreign exchange dealers, "In a year's time you'll be eligible to pay a £30,000 charge, or to sign up to UK taxes or leave. Let us know what you want to do so that we can start succession planning." That is work-force management. In essence, the £30,000 tax is voluntary; no one will have to pay it if they do not want to do so. They can choose to pay, they can choose to leave the UK and go to another part of the world or they can choose to pay UK taxes. After all, after seven years people might actually want to stay in the country and make a proper contribution to its upkeep.

It does not matter who a person is—a multibillionaire walking down Knightsbridge, Charles Walker walking down Knightsbridge or someone struggling on the minimum wage walking down Knightsbridge; if they fall to the ground with a heart attack on Knightsbridge their life will be saved in an NHS hospital staffed by NHS workers, doctors and nurses. It is incumbent on people living in the UK, benefiting from our laws and protections and all the wonderful things that go with being in our country, to make a contribution. Seven years is generous. The period could be five years, but the Government have picked seven years, which is a credit to them. I would rather people signed up to our way of life and our tax system much sooner, but seven years is not an unreasonable expectation. That is where I am coming from. If people want to live in the UK almost indefinitely, it is not unreasonable that we expect them to pay their way and £30,000 a year seems pretty generous.

As a capitalist, I am fed up with people in the media arguing that we need to be nice to risk takers because they are special masters of the universe who deserve special treatment. Over the last few months, we have discovered that those risk takers have been taking risks with our interest rates and our mortgages. When they are found out and removed from their positions, they leave with huge pay-offs, sometimes upwards of between £10 million and £20 million, or the equivalent in dollars. That is outrageous. It will bring capitalism into disrepute if failure on that scale continues to be rewarded so generously.

Thank you for your patience, Mr. Deputy Speaker.

4.34 pm

Mr. David Gauke (South-West Hertfordshire) (Con): It is a great pleasure to speak on the second day of the Budget debate. It is has been an interesting debate, although, unfortunately, it has perhaps not been as highly attended as it might have been, particularly by Labour Members. I do not know whether they found yesterday's Budget speech less than inspiring. In recent years, one or two Budgets have been very well received at the time and subsequently become rather unpopular, and I am sure that the Chancellor will hope that the reverse can also be true. We have heard a limited number of contributions, but they have been of good quality none the less.

The hon. Member for Bradford, North (Mr. Rooney), the Chairman of the Select Committee on Work and Pensions, brought his great expertise to the debate. My hon. Friend the Member for Sevenoaks (Mr. Fallon) paraphrased Gary Player in saying that the Government have failed to prepare and therefore they must prepare to fail. My hon. Friend has played a rather prominent role in recent months and been very successful in holding the Government to account in his capacity as the senior Conservative on the Treasury Committee. I served with him for a number of months and know what a formidable figure he is. I congratulate him on having been recently voted on the ConservativeHome website as parliamentarian of the year—a thoroughly deserved accolade. He is developing into something of a cult figure, and I am sure that that will continue.

I suspect that most attention on the debate—at least on Back Benchers' contributions—will go to the thoughtful speech delivered by the right hon. Member for North Tyneside (Mr. Byers). Of course, I did not agree with everything that he said—I am sure that he would be horrified if I did—but as someone who is new to deciphering the Blair-Brown dispute, I am sure that his rhetoric requires close examination. He argued that the days of big government are over, and I think that he is absolutely right. He called for an enabling Government and for devolving power to the ultimate user. It is encouraging that a senior figure on the Government Back Benches is making that case. He was critical of tax credits and described them as intrusive. He highlighted an important point, which was also made by my hon. Friend the Member for Tunbridge Wells (Greg Clark), about the high rates of marginal tax and the increase of 145,000 more families who will pay it at 60 per cent. or more next year.

I note that the right hon. Gentleman said rather wryly that he was pleased to read the Prime Minister's article in the *Financial Times* and that a smile came across his face when the Prime Minister advocated welfare reform. I also note his comment—I think that I have got this correct—that, in the past few weeks, the Prime Minister has come to recognise the value of public sector reform. I almost felt his pain when he

referred to the past few weeks. I fear that he regrets that that did not happen somewhat earlier.

My right hon. Friend the Member for North-West Hampshire (Sir George Young), who is in his place, had it absolutely right: the Chancellor's speech yesterday would have been more illuminating and entertaining if there had been more statistics. It is not often that that can be said. My right hon. Friend spoke interestingly on housing in the context of welfare.

The hon. Member for Regent's Park and Kensington, North (Ms Buck), who is not currently in her place, criticised choice and contestability in public service reform, which might indicate why the right hon. Member for North Tyneside still has some way to go in persuading the Labour party of the advantages of that approach.

I fear that my hon. Friend the Member for Tiverton and Honiton (Angela Browning) may have been in danger of misleading the House when she said that she was entitled to the state pension and the winter fuel allowance. I for one find that very difficult to believe, and I think that I have the support of Members from all parts of the House in saying that. She spoke about a measure in the 2007 Budget that gives rise to problems—pensioners aged between 60 and 64 will lose out as a consequence—which will come into effect as a consequence of the Budget resolutions that we are debating. She is absolutely right to highlight the issue; let us not forget that although there were very few large, substantive measures in yesterday's Budget, the Budget resolutions that we are discussing will implement the doubling of the 10p rate, and a group of people will lose out as a consequence.

My hon. Friend also spoke about the income-shifting measure, and rightly highlighted that it has been deferred for a year. It was not mentioned in the Chancellor's speech yesterday, which is a great pity, but the fact remains that it has been deferred, and not yet abandoned as she and I would like it to be. It is interesting that in the Red Book—the financial projections for revenues and costs—the Government still anticipate that the measure will come into effect next year, and will raise the same amount of revenue as they anticipated it would this year. It will be interesting to hear what the Government's and the Financial Secretary's thinking is on the issue, and whether they think that it is realistic to suppose that they can obtain that sort of revenue, given that they will, I hope, make substantial changes to their proposals.

My hon. Friend raised the interesting point—for the benefit, I think, of both the Conservative and Government Front Benchers—of the taxpayers charter. I, too, have the Chartered Institute of Taxation paper on the subject, and I will certainly discuss the issue with my hon. Friend the shadow Chancellor. If he makes an announcement on it, I suspect that the Government will do so shortly afterwards. We shall see. The hon. Member for Northampton, North (Ms Keeble) discussed a wide range of issues arising from her experiences as a member of the Select Committee on the Treasury. I enjoyed serving on that Committee with her.

I was delighted to hear the contributions of two Hertfordshire colleagues. My hon. Friend the Member for North-East Hertfordshire (Mr. Heald) mentioned the importance of addressing inflation, and highlighted the concern that inflation is creeping back into the system, causing great difficulties for a number of people. He rightly says that the issue must be a priority. He also raised the issue of child poverty and our earlier discussion with the Secretary of State for Work and Pensions. I shall come back to that in greater detail later. My hon. Friend the Member for Broxbourne (Mr. Walker) delivered a speech that will certainly bear further reading. I am delighted that he loves capitalism, and I am sorry that he cannot afford to live in Holland Park. I am sure that he would rather live in Broxbourne, the constituency that he represents so well.

Yesterday was the Chancellor's first Budget. It is worth considering the last time that someone delivered their first Budget. I refer, of course, to the Prime Minister, who delivered his first Budget in 1997. Welfare reform was at the heart of that Budget speech. He stated:

> "the welfare state today denies rather than provides opportunity. So it is time for the welfare state to put opportunity back into people's hands."—[*Official Report*, 2 July 1997; Vol. 297, c. 308.]

That sounds rather similar to comments made by the right hon. Member for North Tyneside today.

The then Chancellor went on in his speech to highlight three types of people for whom welfare reform was needed. The first type was young people. He said that it was no longer an option for young people to stay at home on full benefits, but the fact is that 11 years later, as we debate the current Budget, there are still more than 1.2 million young people aged between 16 and 24 who are not in work or full-time education. That is 15 per cent. more than in 1997. The second group that he highlighted were lone parents. We continue to have the lowest lone parent employment rate of any major European country. Any improvements in the rate of employment—there have been improvements, which is not surprising in a period when employment has gone up generally—have slowed down and are much slower now than they were in the late 1990s.

The third group that the then Chancellor highlighted were incapacity benefit claimants. There are 2.6 million people claiming incapacity benefit. That is 120,000 more than in 1997. It is not just the numbers that cause concern, but the nature of the people claiming incapacity benefit. The hon. Member for Rhondda (Chris Bryant) referred to the high levels of incapacity benefit in his area. It is not surprising that there are high levels of incapacity benefit claimants among people such as former miners at the end of their working lives, who have undertaken hazardous careers, but the number of under-25s claiming incapacity benefit has increased by 25 per cent. People are also claiming incapacity benefit for a long time. More than half claim it for more than five years.

We should remember that we have had a period of economic growth and benign global conditions. Given that the Government were elected on a platform of welfare reform, the fact that there are still 4.8 million people claiming out of work benefits is a clear and dismal failure of policy. It is in that context, in a debate led by the Opposition, that welfare reform has risen up the political agenda.

After forcing out the only Government Minister who genuinely believed in welfare reform—the right hon. Member for Birkenhead (Mr. Field)—after years of blocking effective welfare reform and after rubbishing

[Mr. David Gauke]

the Freud report, the Prime Minister has finally allowed some announcements on welfare reform. We must ask ourselves whether he truly believes in it. Has the Prime Minister undergone a conversion to welfare reform, after spending so much time and putting so much effort into blocking progress on it? Is the Secretary of State for Work and Pensions, who is not in his place, so persuasive that he has managed to articulate a case to the Prime Minister, persuading him to take welfare reform seriously? On the evidence of today, it is not the persuasiveness of the Secretary of State that is the answer.

The Prime Minister, as usual, has changed his position for reasons of political posturing. He has seen that the Conservative party has been making the running and putting forward proposals for welfare reform, and he is simply trying to shoot the Tory fox. It is more about calculation than principles. That is why we and the British public should be sceptical about whether the Government will succeed with their platform of welfare reform.

I shall spend a moment or two on the speech that we heard today from the Secretary of Work and Pensions. If, as some have suggested, it was an audition for the role of Chancellor next year, I suspect that the Secretary of State for Children, Schools and Families will not lose any sleep. The Secretary of State for Work and Pensions ran into problems in two areas. First, he claimed that the Government were setting the agenda because they had commissioned the Freud report and had always intended to implement it. That does not fit with the facts. It is well known that Tony Blair commissioned welfare reform, and that Tony Blair was convinced of the need to reform welfare, but it is also well known that the then Chancellor was strongly opposed to what Freud was proposing. Indeed, as Rachel Sylvester put it in *The Daily Telegraph*, David Freud

"had to sit through a 45 minute rant from the Chancellor"

about the flaws in his proposals before being ushered into a room full of Treasury advisers who picked more holes in his ideas. I suspect that it was not a pleasant experience listening to the then Chancellor for 45 minutes while he had a rant. I have no first-hand experience of that; I do not know whether the right hon. Member for North Tyneside can illuminate the House. It is clear that the Prime Minister had no enthusiasm—

Mr. Byers *rose—*

Mr. Gauke: I will certainly give way to the right hon. Gentleman.

Mr. Byers: I do not want to question Rachel Sylvester's normally accurate reporting, but I understand that it was a 50-minute intervention. *[Laughter.]*

Mr. Gauke: I am very grateful to the right hon. Gentleman. Accuracy is very important, and we should all be grateful that he has helped the House on this matter. *[Interruption.]* It is noticeable that it was the length of time, not the word "rant", that was corrected.

My hon. Friend the Member for Tatton (Mr. Osborne) raised with the Secretary of State for Work and Pensions a very important aspect of the Freud report—the proposal to abolish the distinction between DEL and AME. That would enable more money to be used to pay private companies to reduce the numbers on benefit, which is crucial if the Freud report is going to succeed. What do we have from the Government? The answer is that they are going to explore that option. That is not quite a formal review—I could be wrong. Indeed, at one point, it looked as though the Chancellor and the Secretary of State for Work and Pensions were exploring the option in front of the House as they discussed it. I hope that during the course of the afternoon they had the opportunity to discuss the matter further.

Perhaps that is what the Secretary of State is doing at the moment. He may be about to enter the Chamber and announce that the Government have explored the matter, and have decided that they will abolish the distinction between DEL and AME. I hope that that is the case. If they do not do so, Freud is not being implemented properly, which further suggests that this country will not benefit from the full, serious welfare reform it so badly needs.

The other area where the Secretary of State got himself into a little difficulty was one where he clearly expected to get on to the front foot and score some runs. He challenged my hon. Friend the Member for Tatton to say whether we shared the target of halving child poverty by 2010 and of abolishing it by 2020. I do not have the precise wording of what he said; I think that he challenged us to pledge to meet the 2010 targets. Perhaps the Financial Secretary might answer that. Do the Government pledge to meet their 2010 target?

The Financial Secretary to the Treasury (Jane Kennedy): Yes.

Mr. Gauke: The Financial Secretary says, "Yes", from a sedentary position, in which case, I would be grateful to know what the consequences will be if the Government do not meet their pledge. Every independent observer of these matters, including the Institute for Fiscal Studies, has said that the Government will not meet that target. Indeed, the Department for Work and Pensions has published documentation saying that it accepts that it will not meet the target. I do not know the important distinction concerning a pledge to meet a target. I do not know whether it is a target to meet a pledge or—

Mr. Ellwood: It is a manifesto commitment.

Mr. Gauke: Ah! It is a manifesto commitment. I do not know whether it rates with having a referendum—

Angela Browning: That sort of thing.

Mr. Gauke: Yes, it is that sort of thing. I am grateful to my hon. Friends.

Surely the important thing is not whether it is called a target, pledge or an aspiration, but whether it is going to be met. The point is that the Government are simply not going to meet their 2010 target. I do not know

whether the Government will say in 2010, "Oh sorry, we missed our target, but at least it was a target, not an aspiration. The Conservatives would have missed an aspiration, whereas we miss a target." I fail to understand the distinction.

Mr. Heald: The Secretary of State could give a guarantee and pledge to resign if the target was not fulfilled. That would be something solid.

Mr. Gauke: My hon. Friend makes an excellent suggestion, which might provide some reassurance. I believe that previous Ministers devised something similar for missing education targets, though I cannot recall which Ministers resigned. I am sure that some did.

Mr. Heald: My recollection is that the right hon. Member for Norwich, South (Mr. Clarke) made the pledge on education, but the day before the time was up, he was moved.

Mr. Gauke: Well, he was no longer Secretary of State for Education—perhaps the Secretary of State for Work and Pensions would like to make a similar pledge.

Let me make a suggestion that could help the Government meet their child poverty target. They could abolish the couple penalty in the system, which makes it difficult, especially for working couples, to move out of poverty. Indeed, the Institute for Public Policy Research—a left-leaning organisation, which is close to the Labour party—pointed out that progress had not been made with working couples, and that such progress could take 300,000 children out of relative poverty.

After 11 years, the Government have failed to deliver welfare reform. They had almost everything going for them—a large majority and a mandate for their 1997 manifesto. Manifesto commitments are important and they had a mandate to reform welfare. Indeed, they were to be the party of welfare reform. They have had benign global economic conditions, and there was the Nixon-to-China argument that only Labour could reform welfare, yet it has not done so.

We now face more difficult times and we cannot afford high levels of worklessness. The Government failed to use the good years to prepare for the difficult years. It is easier to get people off benefits in good years. I am afraid that the Budget has strongly demonstrated the theme that there was an opportunity to reform welfare and the Government did not take it. There was an opportunity to reform public services and they did not take it. There was an opportunity to put public finances on a strong footing and, as we know from the figures for borrowing and for debt, they failed to take it.

The Government could have delivered but they did not. They have left the country unprepared. At the next election, they should be punished. If they are, it will be left to the Conservative party to tackle the problems that the Government failed to address.

4.58 pm

The Financial Secretary to the Treasury (Jane Kennedy): We have had a good day's debate. Occasionally it has been a bare-knuckle political debate, and I intend to continue in that vein.

When I listen to the shadow Chancellor, the hon. Member for Tatton (Mr. Osborne), I am often disappointed by his contribution, which never fails to sneer, offer personal abuse and shallow points instead of being a considered, tempered and incisive speech. He should occasionally take the time to study his performance. He is the representative of a party that, when in office, oversaw a denial of the concept of society. That denial allowed it to shrug off responsibility for poverty, which was measured by internationally accepted standards. Child poverty doubled during the Conservative Government's stewardship of the economy, and poverty was endemic for pensioners in communities throughout Britain. Such a speaker would do well to show a little humility, in place of the arrogant pose that he strikes so well. I would have warmly welcomed contributions from those on the Tory Benches that acknowledged that past record. The Conservatives have recently been saying things that sound encouraging. It is always good to welcome sinners to repentance, but oh, how grudging have their contributions been!

Pensioners used to be afraid to turn on their heating under the Tory regime. I can remember when emergency fuel payments used to be dependent on temperatures hitting a low point on a given day in the winter. That was a positively Dickensian policy.

Mr. Ellwood: Will the Financial Secretary give way?

Jane Kennedy: I will happily give way in a moment, but let me just finish this point.

Now pensioners can rest assured, under a Labour Government who introduced winter fuel payments that helped to keep 11.7 million pensioner households warm last winter. I should be very interested to hear whether the hon. Member for Bournemouth, East (Mr. Ellwood) wishes that his party would commit to supporting the payments that we have put in place in the Budget.

Mr. Ellwood: I hope that the Financial Secretary will not make the mistake that we heard the Secretary of State for Work and Pensions make at the start of this debate, when he devoted an entire speech to what was happening 10, 15 and 20 years ago, rather than talking about the issues for today and the future. May I bring the Financial Secretary back to the Budget and ask a specific question about health? It has emerged from what my hon. Friend the Member for Tatton (Mr. Osborne) has said that the amount of money invested in health is about to fall by more than £1 billion. Is that true or not?

Jane Kennedy: The hon. Gentleman will have to contain himself for a moment, because I have not finished with the Conservatives' record on pensioners and poverty. I will come to his question directly in one moment, but he will have to allow me to answer it in my own time.

Under a Labour Government who have introduced the pension credit, free TV licences, free eye tests and free national bus travel, pensioners can rest assured that we will continue to deliver a minimum income guarantee for them, now at £124 a week. Unlike the Conservatives, who could not bring themselves to support even the payment towards fuel costs that the Budget delivers for pensioners this year, we will stand by them.

[Jane Kennedy]

I come now directly to the hon. Gentleman's point. He is quite right: the hon. Member for Tatton has put out press releases alleging that public spending cuts, especially in the NHS, were secretly included in the Budget. I am afraid that this is another example of the Conservatives' inability to get it right. They are apparently simply incapable of following what the Budget documents say. The Budget tables reflect that the Department of Health has spent slightly less of its allocated budget for this year than was forecast in the October pre-Budget report, as a result of management improvements that have resulted in a surplus. Following the introduction of end-year flexibility into Government budgeting in the 1990s, Departments can now draw on such underspends in future years.

The hon. Member for Tatton has made a series of claims that are completely wrong and he has misunderstood how the public spending tables work, with underspends carried over from one year to another as part of end-year flexibility. In fact, the figures confirm big increases in health and education over the next three years, with no cuts in spending or planned spending. In particular, the health budget has doubled in real terms since 1997. The figures confirm a massive increase in health spending and no cuts. The tables reflect the fact that the surplus in the NHS this year comes as a result of management improvements.

The figures also confirm a big increase in education spending. Again, the tables reflect the fact that some capital spending will be carried forward from one year to another, which is something that the hon. Members for Tatton and for Bournemouth, East simply do not understand.

Mr. Ellwood: Will the Financial Secretary give way?

Jane Kennedy: I will happily give way to the hon. Gentleman one more time, to see whether he can get himself out of the hole that he has dug.

Mr. Ellwood: The only hole is the one that the Government have dug, and which has caused the mess we are in. Had we saved or invested when times were better, we would not face the problem that we face today. Let us return to health. I know, for instance, that Bournemouth and Poole primary care trust has been forced to make cuts in its budget. The Financial Secretary can stand at the Dispatch Box and say, "Oh yes, they've managed to make some savings," but those savings have been forced on PCTs, which is why she can say that they spent less than they expected to.

Jane Kennedy: The hon. Gentleman's party must explain its unfunded plans. Spending on the NHS has doubled, and if he is making a bid for even more funding to be committed to his constituency, he needs to explain how his party's commitment to do that would be paid for. As yet, there has been no explanation of how it proposes to meet its commitments.

My hon. Friend the Member for Bradford, North (Mr. Rooney) welcomed us all as converts to his long-held view that work is the route to prosperity and, for poor families, out of poverty. I pay tribute to him for the role that he plays as Chairman of the Select Committee on Work and Pensions. Appearing before his Committee has always been a source of learning for me, both when I was a Work Minister and now that I am in the Treasury. In our work to achieve the target of eradicating relative child poverty by 2020 and halving it by 2010, my hon. Friend and his Committee shine a light on the areas of policy that are not working as well as intended.

My hon. Friend, like my hon. Friends the Members for Regent's Park and Kensington, North (Ms Buck) and for Northampton, North (Ms Keeble), mentioned housing benefit and the impact of the taper and the disregards, which we have addressed in the Budget. He also spoke about how we pay child care costs. I draw the House's attention to the report that my hon. Friend the Member for Regent's Park and Kensington, North, mentioned, which is extremely thoughtful and well worked through. I am grateful for her support and her thoughtful speech, which outlined clearly the stark reality of the struggle that some families face.

The recent report of the London Child Poverty Commission, of which my hon. Friend is an influential member, is an important contribution to the debate. In particular, it offers good advice on what might be done in London. The Minister of State, Department for Work and Pensions, my right hon. Friend the Member for East Ham (Mr. Timms), and I will want to work with her and the commission in the coming months as we seek to understand the remaining barriers to parents in London getting into work.

My hon. Friend rightly reminded us that we should judge the Opposition by their deeds, not their words. She gave the example of the behaviour of Westminster council, whose councillors should hang their heads in shame. I am grateful to her for the examples that she gave of the impact of housing benefit on people entering work.

Mr. David Burrowes (Enfield, Southgate) (Con): If the Financial Secretary wishes to present herself as a fighter against child poverty, perhaps with bare knuckles, will she acknowledge that 300,000 children are in poverty because of the couple penalty? If so, will she do something about it?

Jane Kennedy: I am always willing to listen to valid points. That point is made frequently, and we are considering it. If the hon. Gentleman takes time to look at the documents that we have published alongside the Budget, he will see that in the next 11 or 12 years, we will work—

Gordon Banks (Ochil and South Perthshire) (Lab): In government.

Jane Kennedy: Indeed. We will work to achieve our target not only for 2010 but for 2020. I hope that the hon. Member for Enfield, Southgate (Mr. Burrowes) will see that that work takes place and that many questions are asked. As my hon. Friend the Member for Bradford, North, said, we do not claim to have all the answers. That is why we will work in partnership with a number of organisations that have a great deal of expertise, to understand the issues involved. I agree entirely with my hon. Friend that it is now right to determine how best we can dismantle the remaining barriers to work that people who depend on welfare have to face.

I agree with my right hon. Friend the Member for North Tyneside (Mr. Byers) that the Budget debate offers a prime opportunity, each spring, for the parties to set out their stalls. I thank him for his powerful speech and his encouragement. He made a number of important points, which I shall draw to the attention of ministerial colleagues. He talked about problems concerning tax credits, arguing that we should move in the opposite direction from current policy and reduce the range of income in respect of which a family with children is entitled to them. There was a degree of sympathy for that point throughout the House. However, the fact that we have been able to establish a tax credit system that carries with it absolutely no taint of being a welfare benefit—it is an entitlement—and enabled families with children to claim it has been a very significant factor in encouraging a high take-up. Given that success, I would be reluctant to dismantle such a policy framework. However, I am always happy to listen to comments.

Mr. Heald *rose—*

Jane Kennedy: I am always happy to listen to the hon. Gentleman.

Mr. Heald: Although I accept that tax credits do some important heavy lifting, does the Minister acknowledge the concern—expressed by citizens advice bureaux, for example—that overpayments and how they are recovered deter some people from making claims? How is she going to sort that out?

Jane Kennedy: I was right to give way to the hon. Gentleman, who makes a good point. He made a thoughtful and entertaining speech, and I am sorry that I was not able to hear all of it. His point is valid. As the Minister who works closest with Her Majesty's Revenue and Customs, I am spending a lot of time looking further into the problem. HMRC and I are working hard, first, to reduce the overpayments and then to understand the causes of them. We have made many changes there by following up work that was started by my predecessor, my right hon. Friend the Member for Bristol, South (Dawn Primarolo). She invested much time and effort in improving the structure of the tax credit delivery system.

My right hon. Friend the Member for North Tyneside drew our attention to table 4.2, but I hope he will accept that, as the text explains, the increase in the figures is primarily due to the introduction of tax credits.

I pay due respect to the right hon. Member for North-West Hampshire (Sir George Young) for the experience he brings to the Chamber, including being the Minister for Housing and Planning in a previous Government. He touched on the personal debt-to-savings ratio, but I hope that he will accept that household assets are now £7.5 trillion—much higher than the £1.4 trillion debt to which he drew our attention. The stable macro-economic performance over the past 10 years has meant that households have had to worry less about saving for an unpredictable future. We are not complacent, however. We believe that saving is very much to be encouraged and we particularly want to encourage lower-income wage earners to save. That is the purpose of the savings gateway and why individual savings account limits are rising to £7,200 from April.

The hon. Member for South-West Hertfordshire (Mr. Gauke) always makes a thoughtful speech; he is always thorough and entertaining, and it is always a pleasure to listen to him. He highlighted the comments of the hon. Member for Tiverton and Honiton (Angela Browning) about income-shifting, and I shall return to some of her other comments in a few moments. We have received strong representations on the issue, and both the hon. Gentleman and the hon. Lady referred to them. We acknowledge the problem, but we need to take more time to ensure that the current arrangements are not being abused. That is one of the reasons why this area has been crying out for reform, but we must get the reform right. I heard the points made by both hon. Members.

The hon. Member for Tiverton and Honiton asked what was happening with the taxpayers charter. I can tell her that I was very pleased to announce on 10 January that, in tandem with HMRC, we will be taking forward work on the charter, which I agree could play an important role in ensuring that the tax system is usable and accessible to everybody. That work is very much in progress and I know that HMRC is particularly keen to see a positive outcome. I am pleased to be working with HMRC as we deliver on that agenda.

I would like to wish the hon. Member for Tiverton and Honiton well on her retirement. She will be a loss to the House, but I am sure she will find many other things to do. She referred to the case of one of her constituents. I do not have the letter in front of me, but I recall writing to the hon. Lady about it. I hope she will accept that the package of reforms introduced in the 2007 Budget will mean that four out of five households are either better off or no worse off. The average household is £100 better off and the average family with children £200 a year better off. She should also bear in mind the fact that 59 per cent. of pensioners do not now pay tax. I listened to her comments on pensions with a degree of incredulity, given that the Conservative party was in office throughout the pensions mis-selling crisis, and set out to undermine the state earnings-related pension scheme almost as a deliberate act of policy. We deserve credit for our reforms to the UK pension system, which will provide a strong foundation.

My hon. Friend the Member for Northampton, North and I have met to discuss many of the matters about which she is concerned. I am grateful for her support for our work on the child poverty target, and I hear what she and others have said about meeting the target for 2010. We are committed to working towards meeting that target. I readily acknowledge, and the Chancellor is happy to acknowledge, that the target is challenging. We take on board my hon. Friend's comments, however, and I will examine her suggestions closely.

I loved the contribution of the hon. Member for Broxbourne (Mr. Walker). Let me tell him that we are all capitalists now. I thank him for his welcome and graceful speech, which was highly entertaining. He would find the Labour Benches very comfortable. It is important that the House acknowledge the contribution that resident

[Jane Kennedy]

non-domiciles already make. We value the role of the City of London, and it is important to sustain its position as the place for the world's banking and financial community, among others, to come to do business, trade and, in many cases, live. We should not forget that sizeable numbers of resident non-doms have low incomes, which is precisely the reason why we raised the de minimis limit from £1,000 to £2,000, which I hope will help many in such circumstances.

My right hon. Friend the Member for North Tyneside was also right to emphasise the importance of maintaining a strong economy. There was much twittering on the Conservative Benches about the Government failing to mend the roof of the British economy as the storm approached. I suggest that the reforms put in place by Labour when we came into office in 1997—the reform of the Bank of England, and the introduction of the golden rule and the sustainable investment rule—were necessary to secure the foundations of the British economy. The economy is now in a much more resilient condition than what the Conservatives left behind. It continues to grow—much to their chagrin in some cases. Because of its strong foundations, it has already weathered two storms in the global economy—the dotcom industry failure and 9/11, for three years after which other economies faltered or went into recession. During that period, however, the British economy grew quarter after quarter and year on year.

I am proud to have been invited by my right hon. Friend the Prime Minister to rejoin his Government and to be asked to work in this role with this Chancellor. I am delighted to commend this Budget to the House.

Debate adjourned.—*[Liz Blackman.]*

Debate to be resumed on Monday 17 March.

Post Office Closures (Clapham)

Motion made, and Question proposed, That this House do now adjourn.—*[Liz Blackman.]*

5.19 pm

Keith Hill (Streatham) (Lab): May I begin, Mr. Deputy Speaker, by asking you to convey my thanks to Mr. Speaker for having exercised in my favour that special discretion he has in the choice of Thursday evening Adjournment debates, and so secured this early debate? Although he has no choice but to be here, let me also express my thanks to my hon. Friend the Minister for his attendance at this debate. My hon. Friend, who is a decent man, has already responded to a large number of debates on post office restructuring and closure—I know that because I have read the reports of most of them—but I think I am right in saying that this is the first debate that has concerned just one post office and its future.

I make no apology for that, because I believe that Abbeville Road post office is a special case. I think that in proposing its closure, Post Office Ltd has made a bad mistake: it has simply got it wrong. I am not alone in that judgment. I have here a petition signed by well over 2,000 local residents who are passionately keen to keep their local post office. I shall be sending the petition, and a copy of my speech, to Ms Anita Turner of Post Office Ltd as my submission to the London area consultation, which closes on 2 April, and I urge as many signatories as of the petition as possible to write to Mrs Turner without delay if they have not already done so.

There is no doubt that the popularity and success of Abbeville Road post office are largely due to the character and commitment of its sub-postmaster and sub-postmistress, Shailesh and Smita Patel. Mr. and Mrs. Patel have run the post office in Abbeville road for 20 years, for the past 12 years at its present location, where they had the post office purpose-built in 1996. Over those 12 years, they have invested the very large sum of £200,000 to create a fully modernised post office. They are completely committed to the locality, and had hoped and expected to go on providing post office services for many more years to come. We can be entirely sure of one thing: the Patels are in this for the long term, which is more than can be guaranteed for the two alternative branches that are proposed to replace the Abbeville Road branch in the event of its closure. I shall say more about that later.

Mr. and Mrs. Patel run a modern, clean, efficient and attractive store combining a newsagent-cum-convenience store with the post office. They offer a wide range of post office services. They provide the usual range of Benefits Agency payments: pensions, income support, child benefit and incapacity benefit. They also issue the London Transport freedom pass, change currency to euros on demand, provide an online lottery and cash debit cards. Their Link machine has an exceptionally large weekly turnover—of which Post Office Ltd will be aware—in response partly to the cash transactions at the local farmers' market and partly to the absence of a bank nearby. Indeed, local business people use the Post Office extensively for banking purposes. The store is easily accessible to wheelchairs and buggies via a ramp, and there is plenty of space inside.

I emphasise that those services are provided all day from 9 am until 5.30 pm five days a week and from 9 am until 1 pm on Saturdays, and that they are provided from three counters. I hope my hon. Friend will also note that there are no lunch breaks, no Wednesday afternoon closing, and three, not two, post office counters—contrary to the so-called facts set out in the branch access report which purports to justify the closure. If Post Office Ltd is trying to make a case for closure, it might at least get its facts right. That does not inspire confidence.

Like all good post offices, the Abbeville Road post office is a focal point for the community. We hear a great deal in debates such as this about the importance of the village post office in rural communities, but there should be absolutely no doubt about the vital community role of the urban post office in the often more impersonal and anonymous setting of the city. It is the universal view of local residents that Abbeville Road post office acts as the hub of the local community. As one resident has told me, it actually helps to give the locality a village feel. It is, of course, a lifeline of human contact for its many elderly customers. Mr. and Mrs. Patel even deliver groceries to the sick and infirm as part of their newspaper round.

I hope that my hon. Friend the Minister takes from my description an impression of Abbeville road post office as a successful and thriving business, because that is just what it is. It is a model of what a post office should be.

Mr. Patel tells me that Abbeville Road post office does 3,000 post office transactions a week, and he has shared with me the details of the income he receives from Post Office Ltd. I have no intention of disclosing that information, as I respect his privacy—after all, Mr. Patel is not a Member of Parliament. We have, however, learned from other debates about the broad level of turnover that is required to make a post office profitable, and I have no doubt whatever that Abbeville Road is a profitable post office; it is inconceivable that it could be otherwise. Moreover, Mr. Patel also tells me that his area manager has said to him for years that Abbeville Road is a commercial post office—in other words, a post office that makes a profit, or one of that 30 per cent. minority of profit-making, commercially viable post offices.

I find it extraordinary that Post Office Ltd should in its search for a sustainable future be willing to close down a profitable post office. I also find it extraordinary that Post Office Ltd should as part of its London area plan be willing to close down a post office doing 3,000 transactions a week while elsewhere in the country keeping open rural post offices doing 13 transactions a week. I find it extraordinary, too, that Post Office Ltd is willing to close down a profit-making post office simply in order to meet its so-called access criteria. I also believe that even in the strict terms of meeting those criteria—deciding which post offices should close if disruption for customers is to be minimised—Post Office Ltd has got it wrong. We should remember that we are dealing with the disruption that is likely to be experienced by Abbeville Road's 2,000 to 3,000 weekly customers in the event of its closure.

In its branch access report, Post Office Ltd identifies two alternative branches as the receiving branches in the event of Abbeville Road's closure: Clapham Park branch and Balham Hill branch. As I have said, there is a question mark over the future of both of those branches. Clapham Park branch will without the slightest element of doubt be demolished in due course as part of the huge and welcome regeneration of the Clapham Park estate. I have met its postmaster, Mr. Siva Balan, who tells me that that development is expected in four years' time and that he will be offered premises in a new shopping mall—incidentally, at a greater distance from Abbeville Road—but that he cannot be certain of his decision, which will clearly depend on several factors, not least the future proposed rent. I do not wish in the least to detract from the contribution that Mr. Balan and his post office and store make to the Clapham Park community; on the contrary, I welcome it. However, the simple truth is that it is a receiving post office whose future cannot be relied on 100 per cent.

If that is a problem, the future of the other receiving branch—Balham Hill—appears to be far more precarious. In fact, it is currently on the market; it is up for sale. A short time ago it was closed. It had a makeover as a Costcutter, which I suspect has not succeeded in what is an extremely competitive retail environment. There is a large question mark over its future. I also very much doubt that Balham Hill has the capacity to take on more than double its current work load in the event of an Abbeville Road closure. I have visited the store. It is very small and quite cramped, there is very little space in which queues could form, it is unsuitable for wheelchairs and children's buggies, and it has only one operational counter. Moreover, there are no public transport links between Abbeville road and Balham hill, and there is no parking either. I would be worried about the journey on foot for the elderly, the infirm and people with children, which takes them across the very busy junction of the A24 with the south circular where there are no pedestrian crossing facilities. I honestly think this is an unrealistic and unreasonable offer to my constituents in the Abbeville road locality.

I must draw my remarks to a close. I must say to my hon. Friend the Minister that I do not have a head-in-the-sand attitude towards the post office network change programme. I accept that the Post Office has lost millions of customers and is losing very large sums of money as customer habits change and traditional post office services become available elsewhere. Changes clearly need to be made if the post office network is to have a sustainable future and if there is to be a proper return for the taxpayer. That must include a reduction in the number of branches. Let me also say that I applaud our Labour Government's willingness to commit large levels of subsidy in support of the Post Office's community and social role—£2 billion since 1999 and a further £1.7 billion up to 2011. That is all in huge contrast with the total absence of subsidy under the Conservative Administration, and with the Lib Dems' plans to privatise the Royal Mail.

However, in opposing the closure of Abbeville Road post office, I say this to my hon. Friend. For the long-term future of the Post Office, it makes no sense to close a profit-making branch or to disrupt the lives of 2,000 to 3,000 customers of Abbeville Road post office and send them off to other branches that either cannot cope, or which might not exist sooner or later

[Keith Hill]

down the line. I gather that experience so far suggests that up to 15 per cent. of the initial proposals can be changed as a result of the consultation process. In London, I hope that that will include Abbeville Road post office. It is a successful and much-cherished local institution and it deserves a future.

5.31 pm

The Minister for Employment Relations and Postal Affairs (Mr. Pat McFadden): I congratulate my right hon. Friend the Member for Streatham (Keith Hill) on securing this debate on the Abbeville road post office in his constituency. I have known him for many years. He is, as we have just heard, an effective and passionate advocate for the people of Streatham, and today he has put his case with characteristic skill and eloquence. As he said at the beginning of his speech, he has concentrated today not so much on post office closures in general, but on the particular circumstances of the Abbeville road post office. I join him in paying tribute to the efforts of Mr. and Mrs. Patel and the work that they have done for the local community over the years.

My right hon. Friend will understand that, as a Minister, I do not have a role to play in decisions to close or not to close individual post offices. That is rightly a matter for Post Office Ltd, after the local process involving Postwatch—the consumer voice—local people, Members of Parliament and other local representatives. I am sure that Post Office Ltd will have heard what he has said today and will give it proper consideration. He said that Post Office Ltd had got certain aspects of what is happening in that branch wrong. I encourage him to take that up with Post Office Ltd and with Postwatch.

There is the possibility of a review process. It does not involve me, as the Minister; it does involve Postwatch recommending to Post Office Ltd that it look again at a particular decision. When that has happened previously, Post Office Ltd has so far normally been willing to do so. The process is capable of escalation from the local level right up to an ultimate decision being taken by Allan Leighton, the chairman of the Royal Mail Group, so my right hon. Friend might wish to make representations to both Post Office Ltd and Postwatch about the possibility of review, if he believes that the facts set out in these circumstances were incorrect.

I want to say something about the background to the closure process affecting Abbeville road post office and, indeed, post offices in other parts of the country. I of course accept that this is a difficult and unpopular process. People have an attachment to their local post offices, even if as a society we use them a lot less than we once did. As my right hon. Friend said, the Government's starting point has been to support the post office network. We are in the midst of a programme of support worth up to £1.7 billion between 2006 and 2011, which includes an annual subsidy of £150 million. So we do not view the network as purely commercial. The commercially viable branches number about 4,000 of the 14,000 existing branches. The subsidy given by the taxpayer enables thousands more post offices to stay open than would otherwise do so. The subsidy that this Government give did not exist in the past.

Although the proposals are easy to attack and to criticise, I have yet to see a viable alternative from the Opposition parties. They variously refuse to match the subsidy that this Government have provided or to come up with viable ideas. In a recent debate, the Liberal Democrats proposed that the Post Office collect parcels ordered through the internet—that initiative is already taking place. It is easy to criticise, but it is less easy to come up with a viable alternative when even with this large level of subsidy, the network is not sustainable in its current size.

That is why some branches are having to close. That is accepted, albeit reluctantly, by the general secretary of the National Federation of SubPostmasters, who recently said:

"Although regrettable we believe that closures are necessary to ensure the remaining Post Offices are able to thrive in the future."

As my right hon. Friend mentioned, the reasons for this situation are that the Post Office lost £174 million last year, which is close to £3.5 million a week. Every day the network opens it loses £500,000, and 4 million fewer customers go through the doors of our post offices than did so a few years ago. In some of the least used post offices—I accept that the Abbeville road branch is not one of them—in the country the subsidy per transaction can be up to £17. There is also a problem in the urban areas, because even though a number of urban sub-post offices have closed in recent years, some 1,000 sub-post offices still compete for business with at least other six other branches within a mile of them, and that at a time when the number of customers is falling.

The number of customers is falling because of significant lifestyle change, much of which is technology driven. Eight out of 10 pensioners have their pension paid into a bank account, and among new retirees the figure is nine out of 10. That is unlikely to reduce. The Government have rightly made available the capacity to pay bills and carry out services online. The online car tax service is relatively new, having been available for only a few years. When it began, 500,000 people a month renewed their car tax online, but now about 1 million people a month do so, half of whom do so outside the office hours of 9 to 5 when my right hon. Friend told us his local post office was open. There is a significant demand for services to be provided outwith those opening hours.

Other changes such as direct debit and competition in the bill payment market from other providers have also had an impact. There is a cost to Government in the way that services are provided. For example, it costs 1p to pay a benefit or pension into a bank account, 80p to make such a payment through a Post Office card account and £1.80 to do so through the traditional girocheque method. I am not sure that it would be right for the Government to reverse the changes, nor I am sure whether any future Government will reverse the trend towards putting services online and making direct payment, or go back to the system of girocheques.

All those factors served as the background to the announcement last May by my right hon. Friend the Chancellor, when he was Secretary of State for Trade and Industry, that the Government would continue the subsidy until 2011 but that there would be up to 2,500 compensated closures, with 500 new outreach services

replacing permanent post offices in some parts of the country. That is the process that has been carried out through area plans such as the one covering my right hon. Friend's constituency.

My right hon. Friend mentioned the access criteria. I will not go into them in detail, but broadly speaking they are that people in an urban area should live within 1 mile of a post office and people in rural areas should live within 3 miles of a post office. The access criteria are designed to ensure reasonable access to post offices throughout the country. We have tried to ensure that even though the network has to reduce in size it will do so in a planned way, rather than having holes appear that could diminish people's access in urban and rural areas. The process is difficult, but we should remember that even after the current closures have taken place, the network will be larger than that of all the banks put together and some three times larger than the top five supermarket chains put together.

I wish to make one more point about the consultation process, and it is a point that was stressed by the Business, Enterprise and Regulatory Reform Committee in its most recent report on the issue. The consultation is not simply a matter of asking people whether they believe their post office should close. After all, people are unlikely to queue up to say yes to such a proposition. The decision to reduce the size of the network was announced by the Secretary of State last May. The consultation is about how that is to be done in particular areas. The Post Office made that clear in the letter that it wrote to MPs in July about the process. That letter stated that the local consultations

> "would not concern the principle of the need for change of the network, nor its broad extent and distribution—that has already been established by the Government in its Response Document issued on 17 May. Rather consultation will be seeking representations on the most effective way in which Government policy—as set out in the Response Document—can be best implemented in the particular Area in question."

So both the Government and the Post Office have tried to make it clear from the outset that the consultations are about how that is to be done.

As my right hon. Friend pointed out, that does not mean there can be no change in the plans. Before consultation plans are even published, the Post Office discusses them with local authorities and sub-postmasters. The figure to which he referred includes changes made within the period before the plans were put out to consultation. After the public consultation phase, some further changes will be made, but the point about the actual question in the consultation bears repeating.

My right hon. Friend said that the Abbeville road post office was profitable. I would urge caution on him and indeed other hon. Members who say that a particular post office is profitable. There are two factors to take into account when assessing the profitability of a particular post office. First, we must consider the business done in a post office and the level of payment from the Post Office directly into that branch. Normally, that will be transparent to the sub-postmaster and may even be shared with hon. Members. Secondly, however, we must consider the central support costs from the Post Office that are attributable to a branch. Those include IT costs, cash handling and other services that are not paid by the sub-postmaster and do not appear in his or her accounts, but are nevertheless very real costs to the Post Office. If all those factors are taken into account, it is shown that three out of four post offices cost the Post Office money to keep open, including some relatively busy offices. My right hon. Friend may wish to explore with the Post Office that point in relation to his local post office. The Post Office has confirmed that the average saving to it of a branch closing is around £18,000 per annum, when all factors are taken into account.

My right hon. Friend mentioned some of the services available at the Abbeville road post office. For the future, the Post Office must keep developing new products and new reasons for customers to go through the door. I am pleased to tell him that there has been significant progress in that direction. The Post Office is now the largest foreign currency dealer in the country. It has developed car and household insurance products. It provides broadband in association with BT and it continues to innovate. That will be necessary if customers are to have new reasons to come through the door in the network that remains after this difficult closure process.

I appreciate the concerns that my right hon. Friend raised tonight. I encourage him to raise them with Post Office Ltd and Postwatch. Post office closures have been happening for some years. They are also happening in some other countries for some of the same technological and lifestyle change reasons. Throughout this process, the Government have tried to manage the reduction in the size of the network in order to ensure reasonable access criteria for the population, to compensate properly people such as Mr. and Mrs. Patel for the hard work and service that they have shown to the community, and to give Post Office Ltd some financial certainty for the future.

Question put and agreed to.

Adjourned accordingly at fourteen minutes to Six o'clock.

House of Commons

Friday 14 March 2008

The House met at half-past Nine o'clock

PRAYERS

The Second Deputy Chairman of Ways and Means took the Chair as Deputy Speaker, pursuant to the Standing Order.

Mr. Stephen Crabb (Preseli Pembrokeshire) (Con): I beg to move, That the House do sit in private.

Question put forthwith, pursuant to Standing Order No. 163 (motions to sit in private):—

The House proceeded to a Division.

Mr. Deputy Speaker (Sir Michael Lord): I ask the Serjeant at Arms to investigate the delay in the No Lobby.

The House divided: Ayes 0, Noes 27.

Division No. 123] **[9.33 am**

AYES

Tellers for the Ayes:
Mr. Nick Hurd and
Mr. John Baron

NOES

Bottomley, Peter	Hollobone, Mr. Philip
Carmichael, Mr. Alistair	Jenkin, Mr. Bernard
Chope, Mr. Christopher	Khan, Mr. Sadiq
Crabb, Mr. Stephen	McCabe, Steve
Dismore, Mr. Andrew	Newmark, Mr. Brooks
Farron, Tim	Pearson, Ian
Fitzpatrick, Jim	Primarolo, rh Dawn
Goodman, Helen	Robathan, Mr. Andrew
Greening, Justine	Shaw, Jonathan
Grieve, Mr. Dominic	Villiers, Mrs. Theresa
Hanson, rh Mr. David	Wiggin, Bill
Harper, Mr. Mark	Williams, Mr. Roger
Heath, Mr. David	**Tellers for the Noes:**
Hillier, Meg	**John Robertson and**
Hoey, Kate	**Liz Blackman**

Question accordingly negatived.

It appearing on the report of the Division that fewer than 40 Members had taken part in the Division, Mr. Deputy Speaker declared that the Question was not decided.

Orders of the Day

Animals Act 1971 (Amendment) Bill

Order for Second Reading read.

9.49 am

Mr. Stephen Crabb (Preseli Pembrokeshire) (Con): I beg to move, That the Bill be now read a Second time.

The purpose of this Bill is to bring clarity to an area of law that has been beset with controversy and confusion in recent years, leading to enormous negative practical consequences for interested parties. I am talking about the legal framework for the application of civil liability in respect of damage done by animals, and in particular the application of strict liability in cases where non-dangerous animals have caused injury or damage. I am talking about animals such as horses, ponies and cows, rather than tigers or snakes.

The relevant legislation is section 2(2) of the Animals Act 1971. My short Bill aims to restore the careful balance that the Act tried to achieve between the rights of members of the public and the rights of keepers of animals regarding the circumstances in which keepers are liable for damage caused by animals, which has been upset in recent years following the 2003 House of Lords ruling in the case of Mirvahedy *v.* Henley.

In attempting to restore that balance, my Bill will clarify the limits on how and when strict liability can be applied. As I will argue, that clarification will be entirely in keeping with the original intentions between the 1971 Act and will be consistent with the underlying principles of that legislation.

I spent last Friday morning at a disabled riding centre in my constituency. I had a fabulous time watching a large group of young people with various physical and learning disabilities drawn from a huge cross-section of society enjoying a riding lesson. I spoke to the parents and carers of those young people who told me—every single one of them—that the weekly riding session was the highlight of the young people's week. They told me about the importance of the activity, not only because of the pure fun and enjoyment offered by the experience but because it helped the young people to develop motor skills and better co-ordination and to gain confidence.

I then spent some time talking to the owner of the riding centre, Mrs. Janet Gibson. She is not a lawyer and would not claim to understand all the legal arguments about the application of strict liability, but she does understand her business: how to run a large and extremely well-organised riding centre that provides not only lessons for hundreds of able-bodied and disabled riders each week but, through a link to the local further education college, tuition to riding instructors. She described to me the burdens and challenges facing riding centres such as hers. Specifically, she told me about the soaring insurance costs that she has faced in recent years, which threaten the financial viability of her centre. She told me that she saw her insurance costs leap by about 25 per cent. in one year alone. That year was 2004-05, which is significant as we are thinking about the effects of the 2003 House of Lords judgment. Her insurance costs have risen by more than 65 per cent. since then.

[Mr. Stephen Crabb]

She explained how insurance has been getting more expensive and a lot more difficult to obtain for riding centres and livery yards. She told me about six or seven other riding centres in the region that she knew had been forced to close as a consequence of the increasing cost burden affecting the equine sector.

Kate Hoey (Vauxhall) (Lab): I fully support the hon. Gentleman's Bill, and I hope that it will be enacted. Does he agree that the problem does not only affect rural areas? Many urban city farms are also affected by increasing litigation and the increasing cost of insurance. The one in Vauxhall, five or 10 minutes from this House, is affected by that problem, and those who run it would also like the Bill to be supported.

Mr. Crabb: The hon. Lady is absolutely right. I have been delighted with the response to the Bill both from organisations with an obvious rural interest and from those that take an interest in the more urban opportunities for making riding available to young people and adults.

Awareness of the problem has been growing among Members from all parts of the UK and both sides of the House over the past few years, and many have illustrative cases in their constituencies. There is widespread acknowledgement that there is a problem stemming from the lack of clarity about the application of strict liability, and growing consensus that it needs to be addressed.

I am not the first Member to seek to tackle the problem. My hon. Friend the Member for Tewkesbury (Mr. Robertson), who is one of the sponsors of my Bill, sought to bring in a Bill on the issue under the ten-minute rule. I tried that route, too, last year. Furthermore, a succession of early-day motions over the last three years have demonstrated substantial cross-party concern and support for a policy remedy. Early-day motion 992, for example, in the 2005-06 Session, attracted the support of 149 Members.

I must also pay tribute to the hon. Member for Brent, North (Barry Gardiner), who is another sponsor of the Bill. He has taken an active interest in the issue for a long time, and in his former capacity as Minister for the horse he organised a consultation on the question that we are considering today. That consultation overwhelmingly found in favour of the proposed policy solution embodied in the Bill.

I am grateful to all the sponsors of the Bill and the many other Members from both sides of the House who have not just expressed general support but have read the Bill and believe that it strikes an appropriate balance and will make a good contribution to fixing the problem. I should also pay tribute to those interested organisations that have raised the issue. In particular, I want to thank the Country Land and Business Association for first bringing the issue to my attention and highlighting the particular constituency case. The association has campaigned ceaselessly for a change in the law. I have also received very persuasive representations from, among others, the British Horse Society, the Countryside Alliance and the National Farmers Union.

I have also discussed the Bill with lawyers who have represented injury victims and animal owners, with representatives of the insurance industry, and with organisations such as the Ramblers Association. They have all given it their backing. I have also discussed the matter with the Association of Personal Injury Lawyers, and its members have raised their concerns with me.

Mr. Christopher Chope (Christchurch) (Con): I, too, think that this is an excellent Bill. Do the Government agree?

Mr. Crabb: Absolutely. I understand that the Government are very supportive of the Bill. I have been delighted not only with the personal support that the Minister has given me, but with the support of his team in the Department. We have had meetings almost weekly for three or four months now—

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Jonathan Shaw): Not me and him.

Mr. Crabb: That would have been nice, though.

We have had meetings with stakeholder organisations to clarify the question at hand and to come up with a policy remedy that we can all unite around and that we believe will do what it says on the packet and fix the problem, of which there is growing awareness.

The central purpose of the Bill is to clarify section 2(2) of the 1971 Act, and in so doing ensure that the Act remains true to its original intentions. By achieving far greater clarity over how strict liability should be applied to keepers of non-dangerous animals, my Bill will have substantial benefits for the rural economy and more generally for all those who own animals. It will impact most noticeably on the equine sector, which not only forms a vital part of the social fabric of our countryside but makes a significant contribution to the national economy. According to the British Equestrian Trade Association's national survey in 2006, 4.3 million people from all walks of life rode a horse on at least one occasion. More than £730 million is spent on riding lessons each year and overall the industry is estimated to be worth £4 billion for our economy.

Those are not bald statistics: behind them lie real stories of families, young people and adults from all walks of life who enjoy the benefits of riding and the countryside. The Department for Environment, Food and Rural Affairs estimates that in 2005 the equine industry employed up to 250,000 people, with another 11 million holding some interest in the horse industry and 5 million taking an active interest. This vital sector is under enormous pressure, not least because of the huge increases in insurance costs that we have seen over the past few years.

There are probably many more promising ways of making a fortune than setting up a riding school or livery yard. In most cases, the motivation is not financial but a passion for horses and a desire to share that passion with others. The fact that so many highly qualified people are prepared to run equestrian businesses on wafer-thin margins is a testament to their commitment to the sport. The House should remember that we look to today's riding schools to bring on tomorrow's Olympic medallists.

It follows that a business that operates on such narrow margins is highly susceptible to relatively modest increases in costs. The substantial year-on-year increases in insurance premiums that we have seen will simply be more than many businesses can withstand. Although the data that we have on riding school closures cannot accurately highlight one factor rather than another as the primary cause of failure, the British Horse Society cites the insupportable burden of ever-increasing insurance costs as the primary cause of deep anxiety among proprietors.

Insurers themselves have told me:

"Many riding schools and trekking establishments are certainly financially struggling with rising premiums".

The Bill will help to limit the soaring insurance costs faced by the equine sector.

Mr. Andrew Dismore (Hendon) (Lab): The hon. Gentleman has been talking in support of his Bill for 10 minutes, and he has concentrated on horses. However, the Bill would of course affect all animals, other than wild animals. Most injuries are caused by dogs, not horses. How would the Bill impact on a child savaged by a big dog?

Mr. Crabb: The hon. Gentleman will be aware that other legislation covers dangerous dogs, and I understand that the Bill would not affect the application of that legislation.

The Bill would help to limit the soaring insurance costs faced by the equine sector. Clarifying the law should provide greater certainty about when strict liability will apply, thus allowing insurers to reassess the risk involved in insuring animal owners. The amendment to the 1971 Act would also help to enable the swifter resolution of claims. I hope that those benefits would be reflected in revised insurance premiums.

What was the problem with the 2003 Mirvahedy judgment and why has it created or compounded problems for animal owners? The intention behind section 2(2) of the 1971 Act was to ensure that the keeper of a potentially dangerous animal should bear appropriate responsibility for damage caused by that animal and should take particular precautions when there was a real and identifiable risk of damage occurring. To that end, it imposed strict liability on the keeper when the animal in question was known to present such a risk, either permanently because of its temperament, or temporarily because of particular circumstances applying at the time. The intention of the Act was not—I think that this view is shared on both sides of the House; it is shared by the Minister and his Department—to impose strict liability in respect of all damage by all animals.

Mr. David Heath (Somerton and Frome) (LD): I entirely support the Bill and hope that it makes progress. Is not the problem with the state of the existing law that it considers animals to be reasonable creatures that act in a reasonable way? Anyone who has ever owned an animal or ridden a horse knows that they occasionally do not act in a reasonable way. Is not the importance of the Bill that it would retain strict liability for circumstances in which someone ought to know that an animal is dangerous and not remove the tort of negligence when proper precautions had not been taken?

Mr. Crabb: The hon. Gentleman is exactly right and he makes an important intervention. Nothing in the Bill would undermine an injured party's right to seek the normal avenues of common law and negligence-based claims.

The Mirvahedy judgment extended the scope of section 2(2) of the 1971 Act to increase liability for keepers of non-dangerous animals that can display dangerous behaviour in particular circumstances or at particular times. A great many people who have looked closely and carefully at this matter, including a minority of the judges who considered the Mirvahedy case, believe that the imposition of strict liability in cases in which a normal animal is behaving in a way that is not normal for an animal of that species, yet normal for that species in particular circumstances—for example, if a horse bolts after being sufficiently alarmed—goes further than the original intention of Parliament when it passed the 1971 Act. Far from clarifying what even the majority of the judges considering Mirvahedy agreed was an ambiguous piece of legislation, the judgment has extended the possible application of strict liability to a wider range of situations. That has compounded the problem of interpreting and applying the legislation. It has also created greater uncertainty and confusion in the minds of animal owners and a greater risk for insurance, which is reflected in increased insurance premiums.

Mr. Dismore: The hon. Gentleman makes a great deal of the impact on insurance. Will he comment on a point made on page 19 of the Library brief that refers to an article by two barristers questioning why the predicted explosion in strict liability compensation cases has not happened as many feared that it would? There has not been an explosion in strict liability cases, so how does he explain the rise in insurance premiums, which cannot be linked to more cases and compensation claims?

Mr. Crabb: We have discussed the issue in detail with not only stakeholder organisations representing the interests of animals, but lawyers who have represented victims. The hon. Gentleman is shaking his head, but this is true. We have discussed the matter in detail with lawyers representing the insurance industry. They have given a written explanation—I will happily send it to him—of the way in which the 2003 Mirvahedy judgment has "muddied the waters" and led to greater confusion and uncertainty over claims in the area.

Mr. Heath: The last intervention was based on a misconception. The premium is based on contingency, not on the actual number of cases presented. The argument that the hon. Gentleman is making is thus entirely correct.

Mr. Crabb: I am grateful to the hon. Gentleman for that helpful intervention.

The opaque language of section 2(2) of the 1971 Act has been widely criticised. Lord Nicholls of Birkenhead, in his 2003 judgment, stated:

[Mr. Crabb]

"there has been a difference of judicial opinion. This difference of view exists also in your Lordships' House...In common with all other judges who have had to wrestle with this question, I have found that the tortuous language of section 2(2)(b) renders its intended meaning peculiarly difficult to ascertain. I readily acknowledge that my mind has fluctuated between the two interpretations."

It might be helpful if I explain the legal background in a little more detail. Section 2(2) of the 1971 Act focuses on the damage caused by non-dangerous animals, but does so in an unfortunately complex way. It places strict liability on the keepers of non-dangerous animals that cause harm, assuming that three requirements are satisfied. The first requirement is:

"the damage is of a kind which the animal, unless restrained, was likely to cause or which, if caused by the animal, was likely to be severe".

The second requirement, which is crucial to this discussion, is:

"the likelihood of the damage or of its being severe was due to characteristics of the animal which are not normally found in animals of the same species or are not normally so found except at peculiar times or in particular circumstances".

The third requirement is:

"those characteristics were known to that keeper".

Although the first and third points are clear and non-controversial, it is perhaps unsurprising that the courts have struggled to understand the language of that second requirement. My Bill would address precisely that problem.

In the Mirvahedy case, the court had to judge whether the provision referred only to a particular dangerous animal, or whether it could also refer to a perfectly normal animal that just happened to display dangerous characteristics typical of a species at a particular time or in particular circumstances, whether predictable or not. Clearly, the latter interpretation broadens the scope of the requirement, and in Mirvahedy v. Henley that was the side that their lordships ultimately chose.

It is important to understand the details of the case that led to this landmark ruling. Horses belonging to the Henleys were spooked. Although they had been securely fenced in, they were so scared that they managed to break through the fences. They ran for a mile before coming to the road along which Mr. Mirvahedy was driving and collided with his car, tragically causing him serious injuries. At no stage was there any question that the Henleys had been in any way negligent. The case was initially found in favour of the Henleys, but once it was taken on appeal under the Animals Act 1971, the Henleys were found liable to pay for the harm caused, although they had not been negligent and were powerless to prevent their horses from getting spooked and breaking out.

Given the seriousness of Mr. Mirvahedy's injuries, he was entitled to compensation. The legal case was thus fought out between his insurers and those of the Henleys to determine which insurance company would pay. However, the fact that the judgment was found against the Henleys has had severe consequences for those in the equine industry, because of the subsequent rise in insurance premiums.

Mr. Dismore: The hon. Gentleman says that he believes that the Mirvahedy case was fought between the insurance companies. I do not know whether Mr. Mirvahedy's case was supported by his insurers, but that would be extremely unusual. He might have been supported by his legal expenses insurer. However, the fact remains that most people who are victims of animal accidents are not insured against the risk, so if they cannot claim compensation, they end up paying the full cost. The whole system of insurance involves spreading the risk across everyone. Is it right that someone who is turned into a paraplegic ends up paying the full cost, as opposed to the cost being spread across the industry as a whole?

Mr. Crabb: I understand where the hon. Gentleman wants to go with this line of inquiry, but it is not true that the vast majority are not insured. The vast majority of claims are covered by the negligence-based route. We are talking about only a very small proportion of claims in the context of strict liability. The Mirvahedy case was eventually a legal dispute between the insurance companies for both parties.

Another good illustration is provided by the Llanwnda riding stables in Fishguard in my constituency run by Mrs. Ingrid Evans. She faced a potential case because of an accident that occurred at her school during a riding lesson. Barking dogs had run around a corner causing a horse to bolt and its rider to be thrown. Mrs. Evans was potentially liable under the Animals Act, despite the fact that the horse was known to be generally docile and all sensible precautions had been taken. Her riding school, which also offers courses for the disabled, now faces enormous problems in obtaining affordable insurance. She tells me that her premium has risen from around £900 a year in 2001 to more than £7,000 today—an 800 per cent. increase. She has been forced to increase her prices in an attempt to cope with the rising costs, but she fears that those increases make it harder for lower-income families in relatively poor communities, such as mine in Pembrokeshire, to enjoy the benefits of riding.

Similar problems are faced by an increasing number of businesses across the equine industry, including those who have never had a claim against them. The Mirvahedy case has perhaps had the greatest impact on the legal interpretation of the Act, but similar compensation claims have been brought under the Animals Act where the complexity of section 2(2) has again caused confusion.

Only last week, the Court of Appeal published its ruling in the case of McKenny v. Foster. In that instance, a cow, driven by maternal instinct, leaped over several obstacles—including, incredibly, a six-bar gate and a 12 ft cattle grid—in order to reach her calf, from which she had been separated. The cow collided with a Vauxhall Vectra, seriously injuring the driver, Helen McKenny, and tragically killing the passenger, Mr. Derek Shaw. Miss McKenny brought a claim under the Animals Act arguing that the fact that cows will go to extreme lengths to reach their calves was a well-known characteristic in cows whose calves have been recently weaned, and that the defendant should have know that. However, after much debate the judge decided that the cow's ability to jump over a gate and a 12 ft cattle grid was unprecedented and could not have been foreseen by the defendants, and so dismissed the

claim. Despite that dismissal, we see again the confusion arising from the opaque language of section 2(2)(b) and the lengthy court processes that can ensue.

Justine Greening (Putney) (Con): The rising premiums that were mentioned earlier may well be the result of the costs of such court cases being passed on to customers.

Mr. Crabb: My hon. Friend is right in her analysis. Other factors are also in play, and the owners of riding stables in my constituency accept that they face a range of other burdens and challenges, but insurance premiums pose a real problem that is directly linked to the interpretation of a confused and difficult section of the 1971 Act.

Mr. Dismore: There is a counter-intuitive argument here, which the hon. Lady raised from the wrong perspective, and that is that strict liability is clear, and if it is removed and replaced by a return to the common-law test of negligence—I am not sure whether the Bill achieves that, but we may come to that later—there will be more litigation because the law will be less clear because it will be reliant on discussions on the law of negligence and whether liability attaches. Strict liability is clear, negligence is not, so more cases will go to court and more money will go to lawyers and less to victims.

Mr. Crabb: I sense that the hon. Gentleman is trying to broaden the discussion from what my Bill is designed to achieve, which is to clarify the circumstances in which strict liability will apply. It is not about removing strict liability and leaving it all to the common law; it is about being clear about those cases where strict liability should rightly apply.

My Bill clarifies the circumstances in which strict liability should apply. It reflects the idea that it is desirable that the keepers of animals that do not belong to a dangerous species should be strictly liable for damage or harm caused by an animal when they know that the animal in question may be dangerous at the time that the damage is caused, either because of its temperament or because of the circumstances applying at the time, such as when it has young to protect. The Bill replaces the wording of section 2(2) with a new formulation referring to the damage being caused by an "unusual or conditional characteristic of the animal".

Unusual characteristics are defined as those that are not shared by the species generally, while conditional characteristics are those that are shared generally by the species, but only in particular circumstances. The new wording requires that for strict liability to apply in cases where an unusual characteristic was the cause of the damage, the keeper of the animal at the time that the damage was caused must have known of the characteristic in the animal. Where the damage is due to a conditional characteristic of the animal, it provides a defence to strict liability where the keeper of the animal when the incident took place is able to show that there was no particular reason to expect that the particular circumstances that provoked the conditional characteristic would arise at the time.

The intention here is to allow the courts to distinguish between a continuing generalised risk that the keeper knows may occur at some time—for example, a horse shying at a plastic bag blowing in the wind near it—but does not know when it may occur, and a heightened specific risk over a specific period that the keeper knows will increase the possibility of the animal displaying dangerous behaviour, such as a cow with calves or a horse in a field next to a shoot.

It is important to stress again that victims of negligent behaviour by keepers of animals would still have recourse to the usual avenues. Riding schools, farmers and pet owners would still be subject to the usual common-law negligence and health and safety laws. In that way, the Bill, by striking the appropriate balance between imposing strict liability for identifiable risks and protecting careful animal owners against risks that cannot be foreseen, would safeguard the rights of the injured.

Mr. Dismore: The hon. Gentleman refers to people who could still bring claims of negligence, but he has not answered my earlier point about what will happen to those who may be killed or become paraplegic and suffer significant serious lifetime disabling injuries who cannot bring a claim because of his Bill.

Mr. Crabb: According to the 1967 Law Commission report that informed the drafting of the 1971 Act, it was never the Act's intention that strict liability should apply in all those cases. The Act sought to define a range of criteria where strict liability should be applied. If it was the Act's intention that strict liability should apply in all cases, why would section 2(2) exist?

None of us wishes to prevent irresponsible keepers of animals from being forced to face the consequences of their actions, and it is important that victims in such cases should enjoy the full force of law in pursuing their claims. Responsible animal owners would, however, be encouraged to take out third party insurance, but would not face liability for genuine accidents. Keepers of dangerous animals would also quite reasonably continue to be strictly liable. That would be closer to the original intentions of the 1971 Act.

The very fact that the Act requires each of the requirements in section 2(2) to be cumulatively satisfied before the keeper will come under strict liability proves those intentions. Had Parliament wanted to extend strict liability to all keepers of animals, it would not have needed so many requirements and section 2(2)(b) would have been entirely unnecessary. Had the creators of the Act meant to impose strict liability on the keeper of an animal that did not belong to a dangerous species for any damage caused by any dangerous propensity of that animal, they could have simply had the one requirement in the Act for strict liability, namely that of the keeper's knowledge of the dangerous propensity. However, that is not the case.

The Bill will be of great benefit to many people, particularly those involved in the land-based and equestrian businesses that make such a vital contribution to the UK economy. They will benefit from the greater certainty achieved by my Bill and should see fewer court cases and, I hope, reduced insurance premiums. There would also be broader benefits for the countryside and for people everywhere, with more people able to experience the pleasures of riding. The Ramblers Association, which represents not animal owners but the interests of people who want

[Mr. Crabb]

to walk in the countryside and might be victims, tells me that the Bill would have wider benefits because more riders means more people who are interested in protecting and extending the public rights of way network. In addition, reduced insurance premiums might encourage landowners to offer more access to the public.

Mr. Dismore: Will the hon. Gentleman give way?

Mr. Crabb: I will give way to the hon. Gentleman for the last time.

Mr. Dismore: The hon. Gentleman is being very generous and good-hearted, and I do not want to fall out with him personally over this, as we have had some reasonable discussions. He says that insurance premiums will go down, but my experience is that they never go down, whatever the change in the risk may be. What guarantees has he had from the Association of British Insurers that if the Bill were to be enacted, premiums would be, say, halved?

Mr. Crabb: The hon. Gentleman knows about the insurance sector; I know a little about it too. It is not for Parliament to try to legislate for insurance premiums.

Mr. Dismore: But that is what you just said.

Mr. Crabb: No, I just said that I hoped that the Bill, in clarifying the 1971 Act, would result in a limit on the soaring insurance costs that are burdening the equine sector.

Bill Wiggin (Leominster) (Con): If the intention of the original Bill had been to enforce an insurance obligation on animal owners, it would have said that it was compulsory for all owners to have third party insurance. It did not say that, therefore the original intention was never to force owners to take out third party unlimited liability cover. My hon. Friend is right to argue that there would be a reduction, but there would also be a reduction in the need for such insurance cover.

Mr. Crabb: From the evidence that I have seen and discussed with departmental officials and many Members across the House, I believe that there is a link between the lack of clarity in law and the increased insurance burden on riding centres.

Mr. Dismore *rose—*

Mr. Crabb: I will not give way again to the hon. Gentleman. My Bill's primary purpose is to fix not insurance premiums but the lack of clarity and the confusion in the law.

In opening, I referred to the backing that my Bill has received from many of my colleagues and hon. Members of all parties. It is unquestionably a good thing for the public to see Members across the House working together to ensure that seemingly small but very significant practical problems are addressed constructively. I am particularly delighted that the Government have signalled their support for the Bill. I am grateful, again, to the Minister for his personal support and that of the officials in his Department. I also thank and pay tribute to the hon. Member for Brecon and Radnorshire (Mr. Williams), who has campaigned on this issue, for the support that he has given me on behalf of his Liberal Democrat colleagues. I look forward to hearing the other contributions to this debate.

I take pride and satisfaction in the fact that the Bill attracts such broad support across the House. That demonstrates that it tackles an important point that, as all parties agree, needs to be addressed. It would make an enormous difference to a great many people—owners of animals and those who enjoy them—in towns and the countryside. The careful balance between owners of animals and others needs to be restored, and my Bill would achieve that. I urge the House to back the businesses that are struggling to survive; it should back the equine sector, give the Bill a Second Reading and ensure that such businesses continue to provide joy to millions.

10.23 pm

John Robertson (Glasgow, North-West) (Lab): I congratulate the hon. Member for Preseli Pembrokeshire (Mr. Crabb) on his private Member's Bill. I am here not to criticise but to support him, although with reservations and questions that I hope the Minister will answer; I hope that the Minister will give me the clarification that I need. The hon. Gentleman was extremely generous in giving way. It is helpful to be able to get answers from the promoter of the Bill, and I listened intently to the hon. Gentleman's remarks.

It would appear that the Bill is about horses and riding schools, about which the hon. Gentleman obviously knows a great deal. However, the Bill is about animals in general. In answer to a question about dogs, the hon. Gentleman said that a certain issue was covered by other Acts. However, if that were so, the Bill would be entitled "Animals Act 1971 (Amendment) Bill—except for dogs".

Mr. Dismore: I had wanted to put that point to the hon. Member for Preseli Pembrokeshire (Mr. Crabb) in an intervention. He talked about other legislation relating to dogs. That is primarily made up of two Acts—the Guard Dogs Act 1975 and the Dangerous Dogs Act 1991. Neither of them create civil liability; they create only criminal liability and therefore are not a basis for a compensation claim.

John Robertson: That brings me to animals' actions that affect my constituents. I am a city MP; as far as I know, there are no farms within the constituency boundary, although a few bounce off it.

Jonathan Shaw: You can spot them.

John Robertson: One can certainly spot the skyscrapers, flats and housing estates; closer into Glasgow are the more affluent houses, and there are certainly no farmyards or riding schools around there. One would not expect to see them in the city centre.

As an MP I go to the hustings fairly regularly, depending on the election; I also regularly do campaigning work. An unbelievable number of dogs attack my colleagues, yet when, for example, a finger was half bitten off, there was no recourse for finding out who was liable. The animal concerned was not "dangerous" according to the description, yet it was pretty dangerous to the helper putting an envelope through the letterbox. We try to train our helpers not to do that, but the new letterboxes with brushes make that very difficult. If that dog was dangerous for an electioneer, what chance would a postman delivering letters on a regular basis have?

Mr. Dismore: My hon. Friend has hit on an important point. I have been bitten while election campaigning. During my very first election in 1982, when I was running for the council, a Jack Russell took a bit out of my calf on election day. The second time was during the 2001 general election, when a Cairn terrier nipped my finger. If the hon. Member for Preseli Pembrokeshire had got his way, I am not sure that I could have brought a claim in either case—not that I would have done so anyway. On the third occasion, I put my finger through a letterbox and something—I have no idea what—got me. My finger was bleeding when it came out.

John Robertson: My hon. Friend has told a good story, although I could probably beat it.

Let me give an example. We talk about strict liability in respect of the Bill, but what does that mean? On a twilight evening during the 2001 general election, I was walking down Lincoln avenue, a large road in my constituency. It was about 9 o'clock at night and dark. I went to put a leaflet through a letterbox, but did not spot two Alsatians chained to a drainpipe. I had not expected to find them there, that is for sure—and I certainly would not have expected such dogs to keep quiet until I was about two inches from them, when they started to bark and jump at me. Who had the liability in that situation? Were the dogs entitled to be there? Was any person who went through the gate, which was open, liable? Alternatively, did the owner, who stupidly left the dogs out for whatever purpose, have liability?

I have read bits and pieces about strict liability in respect of the Bill. Animals are not usually bad; they do not deliberately attack somebody unless the owner trains them to do so, as happens in a lot of cases, or unless such behaviour is a characteristic of their breed and it is in their genes—as with hunting dogs, for example. We would not expect somebody to have such an animal in a built-up, city centre area and certainly not to chain them to a drainpipe in a garden. Such strong animals could pull the drainpipe down and attack passers-by. Would that be the dog's fault? In some cases, it would not be; it is usually down to the owners. I have great sympathy for people who are attacked by animals and I would complain about the animal in such cases, and it is the animal who will eventually suffer. In a lot of cases, if it has a history of such behaviour, it will be put down, yet we would never think of putting down the owner for the treatment of the animal or for teaching it to act in such a way. I therefore have a problem with strict liability.

Hon. Members have discussed the Animals Act 1971 and its intent. We are now in 2008—quite a long way down the road from 1971. I look favourably on the Bill because the hon. Member for Preseli Pembrokeshire is trying to tackle what has happened in the meantime. However, intent and need are not the same and I wonder about the treatment of the ordinary person under the Bill. The Wild Mammals (Hunting with Dogs) Bill caused all sorts of problems. It was said that the dogs were always under control, that the riders knew what they were doing and that the measure was unnecessary because we simply had to make sure that the existing rules were used. Similar comments have been made about the Bill that we are debating. Yet we know that a pack of animals does not act in the same way as an individual animal; animals act differently in a group. Some animals hunt in packs and their behaviour in the pack is different from that when they are individual pets in somebody's sight.

We discussed the problem of the plastic bag and a horse rearing. If we substitute a child—or an adult—for the plastic bag, and the person is crippled by the horse, as in the case that my hon. Friend the Member for Hendon (Mr. Dismore) mentioned, what sort of liability do they have? Their lives might be drastically changed because of an accident with an animal. How do they ensure that they are looked after? I have difficulty with that. It is easy for people to say that the animals were simply doing what they do, and that the horse reared because the child or adult frightened or shocked it. However, the person—I would call him or her the victim—has to live with whatever disability they end up with.

Mr. Dismore: Let us suppose that a family goes out for a walk to the countryside on a Sunday afternoon. They are walking along a country lane that is a bridlepath, when a horse comes the other way and injures a child, who could be crippled. Under the Bill, the child may end up with no compensation, and the family would be left looking after that child for the rest of its life with no financial support from any insurance company, because most people will not be insured against that sort of risk. Who should bear the risk—the stable, which makes money out of a business, or the injured child's family?

John Robertson: That is also my concern. My hon. Friend is much more knowledgeable than I am on that matter and I am sure it will be well worth listening to his contribution.

The problem is that the lawyers and the courts may not interpret the Bill in the way that we intend. I do not have my hon. Friend the Member for Hendon or anyone else in the Chamber in mind, but I have always had a thing about lawyers because they are the only ones who ever seem to make money these days. We are being crucified over expenses and various other items for which we might not claim. I want to put it on the record that I do not have a £10,000 kitchen, although my wife phoned today and said, "Does that mean we can get a new kitchen?" I said no. However, I digress. Lawyers will always interpret things differently. Someone once said that two lawyers together will give two different explanations because they can then both make money. Therein lies a problem. I am attracted by the idea of trying to define things better, as the hon.

[John Robertson]

Member for Preseli Pembrokeshire would like to do, because I would prefer such matters to be tackled out of court, by insurance companies.

My hon. Friend the Member for Hendon made some good comments about insurance companies. He said that there had not been many cases under the 1971 Act. That surprised me because I would have thought, given that the hon. Member for Preseli Pembrokeshire is promoting the Bill, that there must have been several cases about which people had a problem. The hon. Member for Preseli Pembrokeshire mentioned the problem of insurance costs for a riding school increasing by a large amount—I cannot remember whether he said that they had doubled—probably by much more than anybody had reason to expect. Those running a business—and a riding school is a business—would probably not have catered for that and would have to find the money from somewhere. That is not right. However, the argument is not with the Bill but with the insurance companies, if they are ripping people off. The hon. Member for Leominster (Bill Wiggin) shakes his heard and he may be right—I am not an expert, but if insurance policies go through the roof and no extra claims are made on them, I cannot understand why they would have to increase to the amount that the hon. Member for Preseli Pembrokeshire suggested.

Mr. Dismore: The hon. Member for Preseli Pembrokeshire said that only a tiny number of cases would be affected. If that is the case, the Bill cannot possibly have a significant impact on the industry in increased costs of premiums. There are simply not enough cases to make an impact.

John Robertson: Does the hon. Member for Leominster want to intervene?

Bill Wiggin: It is not the number of cases but the size of the pay-out that is significant. That may solve hon. Members' difficulties.

Mr. Deputy Speaker (Sir Michael Lord): Order. The hon. Member for Leominster appears to have intervened on an intervention, but I am sure that the hon. Member for Glasgow, North-West (John Robertson) can cope with both interventions.

John Robertson: Thank you, Mr. Deputy Speaker, but I think you give me more credit than I am due.

My hon. Friend the Member for Hendon answered his own question. I say to the hon. Member for Leominster that, if the amount is the problem, that must be examined, but it is not part of the Bill. *[Interruption.]* I thought that we were considering liability, not the amount of money that is paid out.

Bill Wiggin: The size of the premium reflects the risk. The risk is not necessarily in the number of claims but in their size. The insurance company essentially needs to get its money back and that is why the breadth of the liability, not the number of cases or claims, causes the premium to go up.

John Robertson: I hear what the hon. Gentleman says, but if I were running an insurance company, I would be talking about potential amounts rather than the actual amounts. To go back to the earlier part of my contribution, we do not know how someone whose finger has been bitten off through a letterbox or who has been trampled by a horse and crippled could get any of the liability, but it appears that insurance companies are charging for such claims anyway, even though they may never have to look after such a case.

Mr. Dismore: My hon. Friend has been generous in giving way. The hon. Member for Leominster (Bill Wiggin) made a point about the cost of the pay-out, but if there is only a tiny number of cases, the insurance can be averaged out across the horse industry—indeed, across animal insurance generally—and that pushes the premium down.

John Robertson: My hon. Friend is right, and there is a problem.

I have spoken for far longer than I anticipated but I thank hon. Members for their interventions. Again, I thank the hon. Member for Preseli Pembrokeshire for promoting the Bill. I hope that the Under-Secretary will deal with my questions and concerns and I wish the Bill well.

10.39 am

Tim Farron (Westmorland and Lonsdale) (LD): I, too, congratulate the hon. Member for Preseli Pembrokeshire (Mr. Crabb) on his success in bringing the Bill before the House. I wish to speak briefly in support of it.

The Bill has been welcomed by people in various walks of life, particularly farmers, owners of equine centres and others who own non-dangerous animals, because of the lack of clarity in the 1971 Act, which we have already heard about. That lack of clarity means that folk in the situations that have been discussed, particularly farmers and owners of equine centres, face strict liability—and therefore risk paying potentially huge compensation claims—and massively inflated insurance premiums, even if there is no question of the owner being at fault.

The increased premiums that have resulted from that uncertainty have undoubtedly put small businesses, including many farms and equine centres, at risk in my constituency in south Cumbria. Those running such small and relatively unprofitable outfits face not just a financial threat, which has a debilitating impact on the business, but damage from the anxiety and stress that that causes.

We are not talking about wealthy people, by and large. In the south lakes area in my constituency, which includes not just parts of the Lake district but parts of the Yorkshire dales, there are many hill farmers under extreme financial pressure, on to whose land people come to go walking every week, and quite rightly. I do not want to get into foot and mouth, but the foot and mouth outbreak last year cost the average hill farmer in my constituency some £10,000, when their average income is probably half that normally. It is clearly debilitating for those people to face insurance premiums or the threat of paying such high compensation claims. We need to get away from that.

We are not talking about people who are cavalier about their responsibilities, either. The aim of the Bill is to prevent unfair claims against people who have done all that they reasonably could to ensure safety. We have already heard that those who do not do that are covered by other avenues, and that should remain. Indeed, we would not want anyone who had suffered damage as a result of genuine negligence to have no recourse. That is not the aim of the Bill and it is certainly not mine in supporting it.

Normal farm animals, domestic animals or horses that cause accidents when behaving in a characteristic fashion, when all reasonable steps to prevent the action have been taken, are subject to strict liability. That is unreasonable and debilitating, and not just for the businesses concerned. We are living in a litigious society, but let us just accept it: all outdoor activity comes with a risk. We can put ourselves in little bubbles if we want, or we can accept that all life comes with an element of risk. If the threat of strict liability, which has resulted from that lack of clarity, reduced—perhaps it already is reducing—the amount of outdoor activity undertaken, whether it be with animals or around animals, that would be a very sad consequence. The Bill will help to remove stress and anxiety from conscientious people who may otherwise fall victim to their animals causing damage to others, through no fault of their own. The Bill will also allow a proper focus on genuinely dangerous animals and genuine acts of negligence.

I said that this would be a brief contribution and it will be. I finish by saying that the Bill will also signal an important victory for common sense, as it will mark a step back from our depressing slide towards an increasingly litigious society. For those reasons I support the Bill and commend it to the House.

10.44 am

Mr. Roger Williams (Brecon and Radnorshire) (LD): I, too, congratulate the hon. Member for Preseli Pembrokeshire (Mr. Crabb) not only on introducing the Bill, but on his persistence, as he has attempted to achieve a similar result before. Persistence often pays off, and I hope that it will today.

I declare an interest in a farming business that is entered in the Register of Members' Interests. Listening to the hon. Gentleman emphasised my responsibility for a number of animals that I hope are not dangerous. Indeed, it might be in my personal interest to be home attending to those animals, rather than trying to alter legislation here.

For me, the main issue is the uncertainty and the consequences that flow from it. Much of this morning's debate has been about businesses, but individuals who want to ride their horses in the countryside also face uncertainty about how they would be dealt with if an incident occurred. I am glad that the Department for Environment, Food and Rural Affairs is supporting the proposals, because one of its intentions is that people should enjoy the countryside more, but such uncertainty does not encourage people to do so.

In a past role, I was chairman of the Brecon Beacons national park. One purpose of the national park is to encourage enjoyment there. Indeed, all the national parks in England and Wales encourage both walkers and riders. If we are to ensure that they have as much opportunity as possible to derive that enjoyment, that uncertainty must be dealt with.

A number of hon. Members have mentioned the problems with insurance. That has certainly been my experience, too. I have received many representations from the Wales Trekking and Riding Association. The business has had its ups and downs over the years, but one particular problem is the increasing price of insurance. To give the House an example of where an inability to get insurance has closed a business down, Roy and Myfanwy Mitchell run a horse-drawn caravan business in my constituency that has been very successful—families really enjoy the experience—but in the past two years Roy and Myfanwy have unfortunately been quite unable to obtain insurance from any firm.

It is not a question of affordability; insurance is simply being denied people who keep ringing up and who want to have that opportunity. Indeed, a number of the caravans were used by children as part of their exhibitions for the Duke of Edinburgh's award scheme. For a time, the local authority was able to get insurance to use the facility, but now even that has been denied. There are real problems. Not only has a business suffered, but people who could be enjoying the Welsh countryside can no longer do so.

Because of that uncertainty, we are seeing a sterilisation of the countryside. People are not going out and enjoying it with the freedom that they used to. I supported the Countryside and Rights of Way Act 2000 and the right to roam, which did not make me that popular with some of the landowning interests in my area. One of the concerns of landowners was that they might be liable for animals grazing on their land that were involved in incidents with people exercising their right to access that land. The Bill would preclude that liability, but I am still keen that there should be more access to land and to the countryside. There will be obstacles to obtaining that, but the Bill will lessen some of those objections.

Mr. Crabb: The point that the hon. Gentleman is making is very important and is exactly why the Ramblers Association has come out in support of my Bill. It recognises that it has a shared interest with people who own countryside-related businesses, which is about opening up the countryside. Achieving clarity in law will help that.

Mr. Williams: I thank the hon. Gentleman. I was coming to that point. People have often opposed increased access because they are afraid that they might make themselves liable for increased responsibilities. The hon. Gentleman has said that this is a small Bill, but it is important and will contribute to making the countryside more accessible to people and increasing their enjoyment of it. I wish it all possible success.

10.50 am

Bill Wiggin (Leominster) (Con): I welcome the Bill and pay tribute to my hon. Friend the Member for Preseli Pembrokeshire (Mr. Crabb) for his hard work and for using the opportunity of being drawn in the ballot to introduce it. I also pay tribute to my hon.

[Bill Wiggin]

Friend the Member for Tewkesbury (Mr. Robertson), whose ten-minute Bill two years ago raised the profile of this important matter.

As for declaring interests, I am the owner of some cows, a bull and a few sheep, but I am allergic to the dust in horses' coats. It gives me a hay fever-type reaction, which is very unpleasant. Despite that, I am a patron of Herefordshire's Riding for the Disabled.

As hon. Members will know, the Bill has considerable cross-party support. The recent early-day motion 1092, tabled by my hon. Friend the Member for Preseli Pembrokeshire, and the earlier early-day motion 14, tabled by my hon. Friend the Member for South-East Cambridgeshire (Mr. Paice), which I co-sponsored, have attracted widespread support. That is because there is a strong feeling that the operation of the current law is unfairly punitive, especially in relation to animal ownership and riding schools.

I support the Bill because it will help to correct an anomaly in the law that I do not believe Parliament intended. I do not believe that Parliament would have legislated to provide that the strictest liability be applied to animal owners when their animals have been involved in an accident, even when the owner has taken all reasonable steps to anticipate and prevent it. Nor do I think that Parliament intended to cause rising insurance premiums or to strangle riding schools and force them out of existence.

During the original debate on the 1971 Act, section 2 received little comment. It was referred to mostly as a code, bringing together the existing laws and the recommendations of the 1967 Law Commission report on civil liabilities for animals. However, it is worth mentioning the short debate on section 2 in the other place, which appears to support the notion that Parliament and the Government of the time may not have intended the Act to be interpreted as it was in the Mirvahedy case. The late Lord Chancellor, Lord Hailsham of St. Marylebone, commented on how the Bill had changed from an earlier draft. In relation to concerns about an owner becoming liable for

"normal acts on the part of such an animal, which in certain circumstances could cause danger",

he reassured the other place that,

"in the case of an animal not belonging to an inherently dangerous species, only that animal's abnormal characteristics can give rise to liability."—[*Official Report, House of Lords*, 29 October 1970; Vol. 312, c. 197.]

Furthermore, on Second Reading in this House, the then Attorney-General indicated that the provisions of section 2 originally proposed by the Law Commission had been changed so that

"where an animal has mischievous propensities, the keeper is liable only for such damage as is due to such propensities."

That is good legalese. He explained this change, commenting that in the Bill as previously drafted,

"a perfectly harmless animal but one which might be capable of doing damage would render the owner liable. For instance...a horse might be capable of causing damage if it were suddenly frightened; obviously, it is capable of kicking out and causing damage. Therefore, the change which is made in the Bill is that the keeper shall be liable only for a mischievous propensity of which the owner must know."—[*Official Report*, 27 January 1971; Vol. 810, c. 738-39.]

That change was the insertion of section 2(2)(b), which, as hindsight has demonstrated, provides contention and uncertainty rather than the improvement and clarification that were originally intended.

The Law Commission's report that laid the foundations for the 1971 Act also went through the various permutations of strict liability. The application of strict liability under section 2 of the Act has led to much confusion and criticism by the courts, despite the attempts to clarify matters during its passage through Parliament in the early 1970s. There have been a number of cases in which decisions have been made under section 2, and in paragraph 9 of the Mirvahedy *v.* Henley judgment, Lord Nicholls stated:

"Unfortunately the language of section 2(2) is itself opaque. In this instance the parliamentary draftsman's zeal for brevity has led to obscurity. Over the years section 2(2) has attracted much judicial obloquy."

Mr. Dismore: The hon. Gentleman is quoting Lord Nicholls's judgment in the Mirvahedy case, but does he agree that Lord Nicholls said that there were ultimately two options? They are the two options before the House today, which are matters for Parliament to decide: whether we wish to have strict liability or something rather less, as the Bill suggests. It is not about history, it is about where we are now.

Bill Wiggin: The hon. Gentleman sets out the choice that we will face, which I shall sum up later. I agree that that is what we must decide today. Roughly speaking, we must choose whether someone in Mr. Mirvahedy's situation would in future be able to get compensation. If we wanted there to be insurance for risk caused by unforeseen circumstances, over which the owner had no control, we should not amend section 2(2) but introduce a Bill that would insist on compulsory third-party insurance, just as we do with cars. We should insist that, just as a person cannot drive their car without being insured, they should not be allowed to have an animal without insurance. That is not our intention, so the Bill would remove the question mark about whether people should have third-party cover for owning animals.

Mr. Dismore: I hear what the hon. Gentleman says, but I assume that he has read the Riding Establishments Acts 1964 and 1970, which require compulsory insurance for riding schools.

Bill Wiggin: The Bill does not just apply to riding schools. The point of the proposed change is that it would apply to every type of animal and all unforeseen circumstances. That is why the hon. Member for Westmorland and Lonsdale (Tim Farron), who mentioned insurance premiums, was wrong. It is the size of the risk that causes premiums to rise. Having provisions that apply only to riding schools is contrary to what the hon. Member for Hendon (Mr. Dismore) said in an earlier intervention about the damage that a dog could do. I do not wish to be harsh on him, but he might have contradicted himself in his interventions.

Section 2(2) of the 1971 Act created the view, which the Mirvahedy case turned into a legal precedent, that if an incident involves an animal, regardless of the circumstances, it cannot be considered an accident. The animal's owner will always be strictly liable. A number of passages in the Law Lords' decision were devoted to

that point, and in particular to "normal" and "abnormal" characteristics and circumstances. Despite their decision, the Law Lords noted the controversy surrounding the case and the test in section 2(2)(b) of whether strict liability occurs.

Lord Slynn of Hadley, who allowed the appeal by the Henleys, commented in paragraph 50:

"It is not surprising that different Courts in cases before the present one should have taken different views as to the meaning of section 2(2)(b) of the Act; nor that different views should emerge in the present case. The meaning of that part of the sub-section is not at all obvious or clear."

Lord Nicholls of Birkenhead, who dismissed the appeal by the Henleys, similarly remarked in paragraph 31:

"In common with all other judges who have had to wrestle with this question, I have found that the tortuous language of section 2(2)(b) renders its intended meaning peculiarly difficult to ascertain."

Arguing that the subsection was an anomaly for Parliament and the legislative process to resolve, he stated:

"It may be said that the loss should fall on the person who chooses to keep an animal which is known to be dangerous in some circumstances. He is aware of the risks involved, and he should bear the risks. On the other hand, it can be said that, negligence apart, everyone must take the risks associated with the ordinary characteristics of animals commonly kept in this country. These risks are part of the normal give and take of life in this country...These considerations, and other arguments of this nature, are matters for Parliament. They are not matters for this House acting in its judicial capacity."

As legislators, we have a duty to set out and create laws that have clear meanings and to outline the circumstances whereby blame can be apportioned to one party or another.

Section 2 of the 1971 Act needed to be changed and the Bill takes the debate forward. I welcome the fact that the Government have indicated their support for that change and clarification of the law. It is very rare for me to welcome anything that the Government do, although I am fond of the Minister, whom I shadow, but in this case I think it excellent that the Government have supported the Bill and its clarification of the law. I also note that the consultation carried out by the former Minister, the hon. Member for Brent, North (Barry Gardiner), showed that 26 out of 29 respondents favoured amending the Animals Act 1971.

Mr. Crabb: My hon. Friend helpfully mentions that 26 out of the 29 respondents to the consultation supported my Bill, but is he aware that of the three that were not initially supportive, one—the Ramblers Association—is now very publicly supporting the Bill?

Bill Wiggin: I was not aware of that and it is helpful that my hon. Friend has put that on the record.

It is important that the legislation be amended because the impact of the Mirvahedy case has ricocheted beyond the parties in that case and is having a devastating effect on the nation's riding schools. The precedent set by the case implies that wherever a case involves an animal, the owner will almost certainly be liable for any accidents that take place. That judgment has led to a massive rise in insurance premiums. In Pembrokeshire, the Llandwana stables saw its insurance premiums rise from £2,000 to £6,000 after an incident that was beyond its control. Others have seen their premiums rise from £858 in 2001 to £7,051 and some figures have suggested average premium increases of about 70 per cent.

In the past four years, the number of riding schools has dropped by about a quarter from 2,500 down to 1,850. Not all of that fall in numbers can be directly attributed to the rising insurance costs, but it does remain a factor. It is another burden placed on a small and predominantly rural business, and it would be a great loss to our country, especially to rural areas, if riding school numbers continued to fall. Riding is enjoyed by 2.4 million people each year, and it is estimated that double that number have an active interest in the industry. I believe that my hon. Friend the Member for Preseli Pembrokeshire echoed those figures when he opened the debate. We have a world class equestrian team, but where will our future champions be able to train if, by the 2012 Olympics in London, there are only a handful of riding schools left?

There are, of course, good reasons why the Animals Act 1971 is in place, and the legal principle behind it is a fair one. It is designed to protect people from dangerous animals—something that we all agree is important—and to ensure that cases involving the owners of animals that can pose a danger to the public and cause injuries or damage are handled and accommodated in a suitable manner with no risk to the public. That principle is fair, which is why the Act does not need amending in its entirety.

It is the job of this House to legislate clearly and to reflect the needs of our constituents. The choice before us for the future is very stark. Do we think that Mr. Mirvahedy should have been able to claim damages after being hit by a horse or that, provided all reasonable steps had been taken, he should not have been eligible to claim? Because we are generally well-meaning people, we probably want it both ways. Sadly, in no small part due to the litigious nature of our society, we cannot have it both ways. The reality is that we as legislators must work to close the gap between the letter of the law and justice. That means that we must allow people the freedom— *[Interruption.]*

Mr. Dismore *rose—*

Bill Wiggin: I will give way to the hon. Gentleman in a few moments, but he asked me about this matter earlier and I want to finish this part of my speech.

To close the gap between the letter of the law and justice means that we must allow people the freedom to own and enjoy animals responsibly rather than prohibit that by stealthy insurance premiums. We need to make certain that those owners do not escape their responsibilities by ensuring that they take all sensible precautions, but we need to end the open-ended risk to owners. It is not a legal requirement for people to insure their animals as they do their cars, so we should be defending this privilege of ownership by correcting the inconsistencies in section 2(2)(b). My hon. Friend's Bill remedies that situation, while still remaining sensitive to incidents where it is appropriate for owners of animals to be liable for damages and injuries—where they are responsible for them.

Mr. Dismore: Is the hon. Gentleman therefore quite prepared to see people who are seriously injured or just injured go uncompensated because they are unable to take out insurance against risks that they do not even know exist, as compared with people who are able to insure because of their ownership of the particular animal?

Bill Wiggin: No, I think that the hon. Gentleman has got that completely wrong. It is clear from his interventions all morning that he has been struggling to understand the Bill's difficulties, although I have some sympathy with where he is coming from. Perhaps this is the best way to put it: if we really think that the owner is responsible for all his animal's actions at any time, we should be legislating to insist on proper, compulsory third-party insurance. I do not believe, however, that that is what we as a nation believe. I do not think that our constituents would want every owner to have a third-party insurance policy for their pet, irrespective of its size. The Mirvahedy case was a very clear example of where the owner could not have done anything to prevent the accident. The question we face therefore is whether or not we should insist on insurance. If we do, we should not be amending the Animals Act 1971 by the Bill. Indeed, if the hon. Member for Hendon believes that, he should bring in his own Bill to insist on that. That, however, was never the intention, so the hon. Gentleman's characterisation of my position is incorrect. He could paint himself into a corner and create the scenario that he mentioned in his intervention, but that would be wrong. I believe that we need to defend the right to take some degree of risk.

Let me provide a small example. When I took my children to learn to ride, my youngest child was not allowed to do so because it was impossible to insure him. As his parent, I think that that should be my decision, not the decision of the riding school's insurance company. However, we are where we are, and the Bill will release the riding school of that decision and give it to me as a parent. The hon. Member for Hendon may think that that is wrong, but the bottom line is that that is what parental responsibility is all about. We have to be careful not to fall too easily into what I would call a nanny state solution; we should rather give people the freedom to do what they want to do.

Mr. Dismore: The hon. Gentleman provides an interesting example because section 5 of the original Act would provide a defence in precisely those circumstances, in the absence of negligence.

Bill Wiggin: I am not quite sure that I understood what the hon. Gentleman meant by that. Perhaps he would like to intervene again to clarify it.

Mr. Dismore: The hon. Gentleman has focused on section 2 of the original Act, which is what we are debating today, but section 5 provides a series of statutory defences. As the hon. Gentleman will know, in riding school cases, those defences have been heavily relied upon by people who have undertaken to go riding and have had an accident simply because they decided to go riding. That defence has stood on a number of occasions both before and after the Mirvahedy case.

Bill Wiggin: Now I understand what the hon. Gentleman is talking about. I am grateful for that clarification. The point I have been trying to make is that we have to commit one way or the other. I am prepared to commit to not insisting on compulsory insurance; if that is wrong, we should be addressing the issue again in a different way and ensure that everyone who owns an animal has the responsibility to insure it. It should therefore be a responsibility that comes with animal ownership. At the moment, it does not and that is not going to change, so I think that the hon. Gentleman's characterisation is wrong.

With this amending Bill, the legislation can be improved and become clearer. Parliament can act to help prevent the decline in riding schools and we can continue to encourage responsible animal ownership. I think that the Bill does exactly what is needed: it clarifies the position that the judges got themselves into and it will make it much easier for people to own animals, confident in the knowledge that if they behave responsibly and try to foresee every sort of accident that can happen and protect themselves and their animals accordingly, they can carry on with the privilege of ownership. The open-ended risk hanging over animal owners would be removed by the Bill, so the measure is helpful and important. I congratulate my hon. Friend the Member for Preseli Pembrokeshire on proposing the Bill, on his early-day motion and on his campaign to ensure that animal ownership is a privilege that can be enjoyed by the many, not just the few.

11.9 am

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Jonathan Shaw): I, too, begin by congratulating the hon. Member for Preseli Pembrokeshire (Mr. Crabb), who began his remarks by referring to Riding for the Disabled in his constituency. A number of other hon. Members have also referred to that worthwhile charity. I thank him for his kind remarks about my hon. Friend the Member for Brent, North (Barry Gardiner), who worked hard on the issue when he had my role.

The hon. Gentleman also referred to the consultation that he carried out and the number of people who enjoy riding. I should mention that last year, in his constituency, I rode a horse for the first time. He went on to talk about how riding schools would bring on the Olympic champions of tomorrow. I stand ready for the task. If it is my duty as a Minister of the Crown to enter the British equestrian team, and if people are needed, the team can get my phone number from the House of Commons exchange. You never know what might happen, Mr. Deputy Speaker.

The Government are pleased to confirm their support for the Bill. The hon. Gentleman has brought together an important coalition of interests, including the Country Land and Business Association, the National Farmers Union, the British Horse Society, the Countryside Alliance and, indeed, the ramblers, and it is welcome to present the case for changing the Animals Act 1971. As he said, he has worked closely with my Department and parliamentary counsel, and we are grateful for the way in which he conducted those discussions.

Mr. Dismore: That list of consultees seems to come from one side of the fence, if I may put it that way. What consultations has my hon. Friend's Department had—indeed, what consultations is he aware of—with those who represent victims or victims' groups?

Jonathan Shaw: I can assure my hon. Friend that the consultation ranged far and wide and included insurance companies, so that they would be aware of the concern that he is expressing. We always ensure that

our consultations are available on our website, and we do our level best to ensure that everyone has access and can comment.

Mr. Dismore: I am grateful to my hon. Friend for giving way again, because he has not really answered the point: insurers are on the same side of the fence as well. The Association of Personal Injury Lawyers, which the hon. Member for Preseli Pembrokeshire mentioned, told me that it first became aware of the Bill when he phoned up very recently. It certainly does not support the Bill in the way that was portrayed earlier.

Jonathan Shaw: As I say, we conduct our consultations in accordance with the rules set out by the Cabinet Office.

Mr. Crabb: To clarify the point, let me say that no one has attempted to portray the Association of Personal Injury Lawyers as coming out publicly in support of my Bill. I did not say that, nor did I even attempt to hint at it. I said that I have discussed the Bill with the association, verbally and in writing. At this stage, it has raised no concerns whatever with me. We have had consultative meetings here in the House of Commons, involving barristers who have represented victims and also insurance companies. The hon. Member for Hendon (Mr. Dismore) is not correct in trying to portray the consultation as one-sided. It has been broad and the range of inputs that we have received has been helpful.

Jonathan Shaw: I am grateful for what I think was an intervention on me. It is a considerable achievement for the hon. Gentleman to introduce the Bill, and his energy and dedication are to be commended.

The case for amending the Act is, we think, persuasive. Since the legislation was passed, there has been disagreement and conflicting case law concerning the interpretation of section 2(2), and in particular section 2(2)(b), both as concerns the purpose of the first phrase,

"the likelihood of the damage or of its being severe",

and the meaning of the last,

"except at particular times or in particular circumstances".

The result of that confusion over the meaning of the wording has been general uncertainty and, following the apparent extension of the scope of strict liability to animal owners in respect of the Mirvahedy case, which we have heard about, growing concern that anyone who owns an animal—a dog, a horse, a cow or a goat—could face unlimited liability for events that they had no control over and, indeed, did not even know had occurred.

The Government have long understood the concern felt by animal owners and their representative bodies, such as the CLA and BHS, which have campaigned vigorously for a change in the law. The question whether the 1971 Act could be amended was reflected in "Strategy for the Horse Industry in England and Wales", which the Government were delighted to produce in conjunction with the British Horse Industry Confederation in 2005. Passing the Bill would be another achievement in the pursuit of that strategy.

As Minister for the horse industry, I would be pleased with that result, but I must stress that the Government's primary objective in the matter is clarification of the law, not the possibility of reduced insurance premiums for animal owners and equestrian businesses. I appreciate that that is a slightly different representation of priorities from that expressed by the hon. Gentleman and others today, but I do not think that we are in any way at odds with the outcome that we all wish to achieve.

Mr. Dismore: If my hon. Friend seeks clarification of the law, presumably as the hon. Gentleman has expressed it in his Bill, does he accept that the consequence would be that, in respect of people who were injured or even killed by other people's animals—walking along the road minding their own business, or driving along on a country lane or bridleway—no compensation whatever would be paid? Is he satisfied and happy with that outcome?

Jonathan Shaw: I will answer that point. We must decide today whether we believe that someone should be liable in every conceivable instance. The Bill's purpose is not discussion of the wide-ranging issues of liability, but clarification of the law, arising from the Mirvahedy case. I shall go on to provide examples. We want to provide clarification.

The hon. Member for Westmorland and Lonsdale (Tim Farron) talked about striking a blow for common sense. That is at the heart of what we hope to achieve by supporting the Bill. I will come to a particular example, and hon. Members have provided examples and a good explanation of what we are attempting to do. We do not believe that one can have a crystal ball in every circumstance involving an animal.

To return to my text, that statement of the Government's admittedly rather technocratic primary objective—clarification—is not to suggest in any way that we do not care about the equestrian businesses, farmers and individual animal owners who might benefit as a result of that clarification of the law. It is the Government's duty—indeed, it is the duty of the House—to pass clear and comprehensible legislation, and to take steps, where appropriate, to address any instance where lack of clarity in the law is proven. That is particularly true where such lack of clarity is demonstrably causing problems to the courts and the wider public.

In this case, therefore, the Government are keen to ensure that the law is clarified. Any additional benefits accruing as a result of the clearer legislation, such as reduced insurance premiums, would, of course, be very welcome.

Mr. Dismore: I am grateful to my hon. Friend for giving way, because I want to put to him the point that I put earlier. Does he seriously believe that insurance premiums would go down if the Bill went through the House?

Jonathan Shaw: I have not studied the form of the insurance industry in relation to the equestrian industry. That is a matter for the insurance industry. It is a belief among those in the equestrian industry that premiums will go down. If the insurance industry is advancing to

[Jonathan Shaw]

particular businesses the argument that the reason why insurance premiums are higher this year is the lack of clarity and the test cases, businesses will obviously say to their broker, "Hang on a minute, the law has been clarified. Don't give me that excuse. You put the premium up last year, advancing that argument. I expect to see a reduction." That will be a matter between the client and his insurer. That is not the Government's primary objective in supporting the Bill; our objective is clarification of the law.

We need to consider three situations. First, we need to consider damage caused by animals of a dangerous species. Secondly, there is damage caused by an individual animal of a non-dangerous species when that animal is known to possess a peculiarly dangerous trait, such as a particularly vicious dog; my hon. Friend the Member for Glasgow, North-West (John Robertson) talked about vicious dogs, and I will deal with his points later. Thirdly, we need to consider damage caused by individual animals of a non-dangerous species when animals of that species are known to possess dangerous characteristics in certain circumstances.

There is no question but that strict liability should apply in the first of those situations. Anyone who chooses to bring a dangerous animal into society should bear full responsibility for its behaviour. Likewise, in the second instance, anyone who owns a dog, horse, sheep or cow that is known to be particularly dangerous should bear full responsibility for any damage that it causes. However, the third situation is more tricky. There are certain situations in which it is reasonable to expect that the owner or keeper of an ordinary animal should know that there is a greater risk that it could cause damage. The situation that is often quoted is that of a cow with calves or a bitch with puppies. It is known that animals in those conditions are often more aggressive. It therefore seems perfectly sensible to require the keepers of animals in such circumstances to bear full responsibility for their actions, and to take extra precautions to see that they do not present a danger to the public. I see nods of agreement. There are also other occasions on which a normally placid animal can cause damage, such as when it is scared or surprised.

That is the crux of today's debate: when should strict liability apply in respect of such accidents, and when should it be left to liability in negligence, which will continue to apply across the board? Let us be clear that the framers of the original Act did not envisage strict liability applying to all damage caused by all animals in all circumstances.

Mr. Dismore: I agree that when the matter was first considered by Lord Goddard's committee in the 1950s, and by the Law Commission, the intention was not to create strict liability. However, that was 40 or 50 years ago. Society has moved on, and so has the nature of the insurance industry and of risk and risk assessment. We are legislating for 2008, not the 1950s, '60s or '70s. Does the Minister therefore agree that what happened at that time is not necessarily a guide as to the direction that we should take today?

Jonathan Shaw: No, I do not agree. Riding a horse in the beautiful Pembrokeshire countryside is the same today as it was in the 1960s. Such things are timeless, and have been enjoyed for generations. Does my hon. Friend think that there should be liability insurance in all circumstances?

Mr. Dismore: I certainly think that if someone owns an animal, they should be responsible for it. If that animal injures somebody, the owner should bear the consequences. Whether they decide to insure themselves is a matter for them.

Jonathan Shaw: Let me give my hon. Friend an example, and let us see what he thinks of it. When the Department was considering its response and working on the Bill with the hon. Member for Preseli Pembrokeshire, an insurer gave us the following example. The insurer received a public liability claim arising from a horse riding accident, the details of which might be useful to hon. Members in considering whether to support the Bill. The policyholder was a riding stable, and the accident occurred in November 2005. The claimant—a 22-year-old woman of limited horse riding experience—was taking part in a supervised hack. The horse that the claimant was riding shied away from a twig that had been kicked up by a horse in front. As a result, the claimant was thrown from a horse on to the ground, suffering injuries as a consequence. Liability was admitted in view of Mirvahedy. The horse in question was not known to present characteristics that would deem the accident foreseeable. The riding stable is no longer insured with the insurance company. The claim is potentially of high value. The insurer spoke to the underwriters, who advised that they did not invite a renewal of the policy as a direct result of the claim. Clearly, the Mirvahedy decision had a significant impact on both insurer and insured in this instance.

Does my hon. Friend think that there should be liability in those innocent circumstances?

Mr. Dismore: First, my hon. Friend is not considering the post-Mirvahedy cases, which would not create that situation. We can discuss those later. Nor is he considering the section 5 defence already provided by the Animals Act in those circumstances, which would give rise to a defence of volenti. I am more concerned about the innocent passer-by. If someone decides to go horse riding in those circumstances, the volenti defence would apply. I am concerned about innocent people who are in no way, shape or form involved with the animal, who get hurt.

Jonathan Shaw: Okay. I think that my hon. Friend agrees with me on those circumstances, so we need to clarify the law. That is what we are attempting to do today. In the circumstances involving the unfortunate lady concerned, the law needs to be clarified.

If someone was rambling in the beautiful Brecon Beacons national park, which was chaired most ably by the hon. Member for Brecon and Radnorshire (Mr. Williams) for a number of years, and an animal caused an injury to that person, and the keeper of that animal could not reasonably have foreseen that the animal would escape from its holding area, my hon. Friend feels that that owner should be liable.

Mr. Dismore: Let us take the example of the horse that shied with an inexperienced rider. Let us suppose that a young child had been walking with her family in

the countryside, coming the other way along the bridlepath, and as the horse shied, it kicked the child and inflicted severe brain damage, and the child was crippled and dependent on their family. Ultimately, I suppose that the state would pay the cost ever after. My argument is that under the current law there probably would not be liability, but I think that there should be.

Jonathan Shaw: We are looking for clarification of a particular situation. My hon. Friend's example takes us into a wider issue, which would not be suitable for a private Member's Bill of this type. A great deal more parliamentary scrutiny would be needed to deal with such an issue.

If strict liability were to apply in all cases, the 1967 Law Commission report, paragraph 14, and the 1971 Act would have looked very different. It would have been very much easier to understand and interpret if that had been the case. If strict liability was going to apply in all cases, section 2(2) would not have needed to distinguish between accidents involving dangerous species and those involving non-dangerous species, and we would certainly not have needed section 2(2)(b) to try to identify circumstances in which strict liability was the order of the day. If strict liability is to apply in some circumstances but not in others, we need to try to identify those in which it should apply and those in which it should not. We must bear in mind that we are here not to discuss the principles underpinning the Act—that is, whether strict liability should apply in all cases—but only to reach a sensible and reasonable decision on the cases in which it should apply.

The Bill reflects the policy that it is desirable for the keeper of an animal that does not belong to an inherently dangerous species to be strictly liable for damage or harm caused by that animal only when he knows that it may be dangerous at the time when the damage is caused, either because of its particular temperament or because of particular circumstances applying at the time—the animal may have young to protect, for instance—that the owner or keeper could have predicted. That seems to me to be eminently sensible.

The Bill replaces the existing tortuous wording of section 2(2)(b) with a new formulation referring to the damage being caused by "unusual or conditional" characteristics of the animal. Unusual characteristics are defined as those that are not shared by the species generally, while conditional characteristics are those that are shared by the species but only in particular circumstances. The term "particular circumstances" is not defined in the Bill, and it would be for the courts to decide what constitutes them in the light of the details of cases brought before them.

The new wording requires that for strict liability to apply in cases in which an unusual characteristic was the cause of the damage, the keeper of the animal at the time when the damage was caused must have known of that characteristic in the animal. When the damage is due to a conditional characteristic of the animal, there is a defence against strict liability if the person who was the keeper of the animal when the incident took place is able to show that there was no particular reason to expect the particular circumstances that provoked the conditional characteristic to arise at that time.

The intention is to allow the courts to distinguish between a continuing, generalised risk that the keeper knows may occur at some time although they do not know when—as the hon. Member for Preseli Pembrokeshire suggested, a horse may shy at a plastic bag if the wind blows one near—and a heightened, specific risk over a specific period that the keeper knows will increase the possibility of the animal's displaying dangerous behaviour during that period. That may apply to a cow with calves or a horse in a field next to a shoot.

There will of course be marginal cases: there always are when the actions of people and, indeed, animals are involved. The law cannot predict such cases or prescribe the route that the courts must take in every circumstance, but it can point the way. In the case of conditional characteristics, the courts will be presented with a series of tests which they should apply to the facts in the case. First, they will need to ascertain whether the damage was due to the conditional characteristic that the animal possesses. Secondly, they will have to ascertain whether the damage was caused in the particular circumstances that provoke the conditional characteristic in the animal. Thirdly, they will need to be satisfied that the person who was the keeper of the animal at the time when the damage was caused cannot prove that he had no particular reason to expect those circumstances to arise at the time when the damage occurred.

That means that someone who knowingly puts his or her animal in a position in which the particular circumstances that are likely to cause its conditional characteristic to be displayed could be strictly liable for any damage that ensues as a result of that conditional characteristic. An example might be placing a horse in a field next to a shoot in the knowledge that it could well be frightened by the gunshots. On the other hand, someone whose animal exhibits a conditional characteristic of the species at a time or in a place where the particular circumstances that triggered it could not have been predicted would not be strictly liable, although he or she might still be liable under negligence. An example might be the same horse in the same field being frightened by a firework display in the middle of June when the owner had not been notified of the display. Obviously on 5 November the owner would know about it—there would be signs all over the village advertising it—but if someone decides to hold a firework party in a field near the horse without telling the owner, the owner cannot be liable. That is fair and reasonable, and I think it is what the British public would expect.

The Government accept that this amendment to the law might have an impact on individuals injured in accidents involving normally well-behaved animals when, under the current case law following Mirvahedy, a court might impose strict liability provided that it could infer that the injury resulted from "particular circumstances", irrespective of whether those circumstances could be identified or whether the person responsible for the animal had any reason to expect that they might arise. Some of those cases might be addressed by negligence, but some would not.

Mr. Dismore: I am still waiting for the Minister's answer to the key question. Is he prepared to see cases involving people who are severely injured, perhaps even

[Mr. Dismore]

killed or suffering paraplegia or brain damage—or even those who are not so severely injured—go uncompensated, and in serious cases to see such people become dependent on the state rather than, hopefully, an insurance company?

Jonathan Shaw: My hon. Friend has given a very emotive example. Of course no hon. Member wants that to happen to a constituent or to any citizen of this country, but we must exercise moderation in applying the law. Do we really think that there should be liability in every one of the circumstances which I have described and which have been described by other hon. Members? I do not think that, and I do not believe that the British public would either. I think that they would say that common sense should apply. I gave the example of a horse in a field, but many other examples could be given. If such cases occur, of course it is tragic for the individual and his or her family, but we have welfare services to support people in those circumstances. We cannot have insurance to cover every walk of life.

People are concerned about how litigious our country is becoming. I think that if we were to have a wider debate and wider legislation, and adopt the sort of insurance scheme and liability laws that have been suggested, that would not chime with what the British public want. They want common sense and fairness to apply. What we are doing here is clarifying the law. A private Member's Bill such as this should not open the book on the wider issues of liability.

Mr. Crabb: If the hon. Member for Hendon is arguing that my Bill undoes a higher level of protection that Mirvahedy has given to all victims in cases of this kind, he is wrong. The Mirvahedy judgment did not settle the issue, as we saw in the Court of Appeal last week. What that case did, as has been said time and again by numerous parties representing both victims and animal-owning interests, was muddy the waters further. We need to clarify the circumstances in which strict liability applies and those in which it does not, and I think that my Bill helps us to do that.

Jonathan Shaw: I am grateful for that intervention —I think it was directed at me.

The Government appreciate that this situation would leave some innocent parties unable to claim compensation for injuries sustained as a result of incidents involving animals, where the Animals Act cannot be shown to apply and there is no case to answer in negligence. However, the Government would contend that the law was not introduced to enable people to claim compensation in such circumstances—as the 1967 Law Commission report made clear, strict liability should not apply in respect of damage caused by all animals. Also, such cases are, in practice, relatively rare, and where they do occur the injured parties are sometimes entitled to compensation through their own personal insurance—the Mirvahedy case is an example.

Mr. Dismore: My hon. Friend has just said that these cases are very rare, and we know that that is the case from the Library brief and all the other statistics. As they are very rare, why is there such a problem to do with them, as they cannot have much of an impact on insurers? Also, as they are rare, why are we doing this? In the end, the victims will be the people who will lose out. Would my hon. Friend have seen Mr. Mirvahedy go uncompensated, bearing in mind the severity of his injuries?

Jonathan Shaw: What about the question of insurance? I accept that there are not many cases, but this is clearly having an effect on the industry; I have given examples of that.

John Robertson: Is my hon. Friend saying that because there is a potential for compensation, that is having an effect on the industry—that the problem is the potential money rather than the actual money?

Jonathan Shaw: I must take us back to where I began. It is essential that we understand that this is clarifying the law. We do not want the current set of circumstances to continue, whereby in any situation someone can be liable for the way an animal acts despite their acting responsibly and making the best endeavours to ensure that the animal does not cause injury. This is a clarification of the law.

The Government also contend that the ability to claim compensation in the types of cases I have been referring to is not fully in line with the liability regimes applying in comparable situations where injury is caused by things other than animals; and the outcome of compensation claims in such cases involving animals remains uncertain under the current legislation, even allowing for the extension of strict liability into this territory following Mirvahedy, and the recent Appeal Court verdict in McKenny *v.* Foster.

In passing, I would like to draw special attention to the McKenny *v.* Foster case, not only because it clearly demonstrates that, despite the assumptions made by some, the current situation relating to compensation for innocent parties injured in accidents involving animals is far from clear or certain, but because the bizarre facts in the case clearly demonstrate how impossible it is to predict, and therefore protect against, the behaviour of animals. As many Members will know, this case revolved around a cow that was standing stationary in the road when it was hit by a car. The hon. Member for Preseli Pembrokeshire described the offence, whereby the cow, which was separated from its calf, managed to jump not only a six-bar field gate into a farm lane, but also a 12 ft cattle grid at the end of the lane. The courts, sensibly, in this case held that the behavioural characteristic that the cow had exhibited was not the normal agitation resulting from being separated from its calf. The hon. Member for Leominster (Bill Wiggin), as an experienced farmer, will know that very well, as, I am sure, will the hon. Member for Brecon and Radnorshire, who is no longer present.

The cow behaved in an extraordinary manner, and the ruling confirmed that, notwithstanding Mirvahedy, not all accidents involving animals entail strict liability under section 2(2) of the Animals Act. Nevertheless, the outcome of this case does not lessen the need to clarify section 2(2), and it is worth noting that the judges in McKenny referred to the ambiguity in section 2(2) and the conflicting interpretations of it. The Government therefore believe that it is in everybody's

interests to clarify the law, so that everybody—owners, riders, businesses, victims, lawyers, insurers and the courts—can be certain where strict liability applies and where it does not.

Mr. Khalid Mahmood (Birmingham, Perry Barr) (Lab): Will my hon. Friend provide some clarification for me on an incident in an urban environment? In a park in my constituency, a domestic animal—a dog—brutally attacked a constituent. The owner of the animal was with the person who was attacked, and it was not clear at what stage the dog became erratic. What is the liability, and who is responsible in such circumstances?

Jonathan Shaw: I am coming on to the dog questions—my hon. Friend the Member for Glasgow, North-West asked about them.

Now I have completely lost my place.

John Robertson: The dog ran away with my hon. Friend's speech.

Jonathan Shaw: Yes, the dog nicked my speech—it ate my homework.

The Government believe that it is in everybody's interests to clarify the law. Their position, therefore, is that they accept that the wording of section 2(2)(b) is unclear, creates uncertainty and causes problems for animal keepers, victims and the courts. They do not think that the framers of the original Act intended strict liability to apply in all situations where animals caused harm or damage. As noted, if they had, the Government think that section 2 would have been very different, and that section 2(2)(b) would have been entirely unnecessary. The Government think that the intention behind section 2(2) was to encourage the keeper of a potentially dangerous animal to take particular precautions when there was a real and identifiable risk of damage occurring. To this end, they imposed strict liability on the keeper when the animal in question was known to present such a risk, either permanently because of its temperament, or temporarily because of the particular circumstances applying at the time. The Government consider that the majority view in the Mirvahedy judgment went beyond this, by confirming that strict liability can apply in a wider range of circumstances, including those where there was no particular reason to expect that the animal presented a particular risk or that the circumstances that might prompt the animal to cause damage existed at the time.

Let me now come on to the points raised in this debate. My hon. Friend the Member for Glasgow, North-West talked about injuries sustained through letterboxes while delivering the leaflets that were ultimately successful in electing him to this House. *[Interruption.]* The shadow deputy Chief Whip says not to deliver leaflets, but my hon. Friend is a campaigner who looks after his constituents. We are all familiar with stories about getting fingers nipped by dogs as we put leaflets through doors. Although we do not yet have such a law, many hon. Members will have had conversations with their campaigners about the need for a law on having a certain size of letterbox, on having no names on houses, only numbers, and on ensuring that there is a cage behind the letterbox.

Mr. Andrew Robathan (Blaby) (Con): At waist height.

Jonathan Shaw: Any other bids for this Bill? [HON. MEMBERS: "No Brushes."] Anything else—no? We can perhaps predict what will be at the top of this year's private Member's Bill list—it will be a Bill on standardising letterboxes. That is not something that I would expect to hear from the Conservatives.

Mr. Robathan: No.

Jonathan Shaw: They have retreated already: they are changing their minds and flip-flopping once again.

I turn to the matter of dangerous dogs going on to private property. The Dogs Act 1871 is the relevant legislation. That civil law Act deals with dogs that are dangerously out of control in private places. We are aware of the concerns of postal workers—my hon. Friend the Member for Glasgow, North-West will share those concerns—but we have no evidence to suggest that they are not being compensated by courts when attacked by a dog in a private place. The law is in place and can be applied in those circumstances.

Mr. Dismore: I think that my hon. Friend would find that most of those cases are based on section 2 of the Animals Act.

Jonathan Shaw: Section 2 may be used, but I am advised that the law that I am discussing is the one that people can use to prosecute in respect of attacks occurring in private places.

Mr. Dismore: Those claims are being brought and they are being paid through household insurance. To return to our earlier debate about insurance, I should point out that, generally speaking, people who have animals have an insurance policy, but the victims do not.

Jonathan Shaw: I assure my hon. Friend that this Bill will not affect those circumstances: those claims will still be able to be made where people are behaving irresponsibility.

The hon. Member for Westmorland and Lonsdale talked about the many equestrian industries in his beautiful constituency in the Lake district. He, too, thought that the Bill would strike a blow for common sense.

The hon. Member for Brecon and Radnorshire, who has a depth of experience, talked about ensuring that people could enjoy the countryside more. He wanted more people to come to the countryside, and thought that the Bill would assist in that. He talked about how he supported the Countryside and Rights of Way Act 2000 and how he wanted to maximise people's access to the countryside. The good news for him is that we are introducing coastal access, which will provide more opportunities for people to enjoy such areas in every county in England—

Mr. Robathan: Not in Leicestershire.

Jonathan Shaw: In every county of England that has a coastline—I would have thought that was obvious, but I am pleased to provide clarification for the hon.

[Jonathan Shaw]

Gentleman. He was obviously getting carried away, still thinking about whether he wants to introduce that private Member's Bill on letterboxes—he cannot make his mind up.

The hon. Member for Leominster is an excellent and experienced farmer, but he talked about the difficulty that dust from horses' hooves causes him.

Bill Wiggin: From horses' coats.

Jonathan Shaw: I am concerned about those. If there is any law that the hon. Gentleman wishes to introduce, I shall carefully examine his proposals. He grasped the complicated detail of the legal judgment, but he essentially agreed with the majority of the comments made today that the Bill is a reasonable step forward in clarifying the law.

For these reasons, the Government think that there is justification in amending section 2(2) of the Animals Act and, in the absence of Government time in Parliament to effect a suitable change, they support the Bill which, they believe, strikes the appropriate balance between imposing strict liability where risks can be identified and protecting careful animal keepers where they cannot. I congratulate the hon. Member for Preseli Pembrokeshire, in particular on the style and tone that he has brought to this debate. We are very grateful to him.

11.54 am

Mr. Andrew Dismore (Hendon) (Lab): First, I should remind that House that I was a personal injury lawyer for 20 years before I was a Member of Parliament. I have maintained my practising certificate and am a consultant with my law firm, although I am not taking any cases. This job is more than a full-time one, as everybody in the House is aware. As a result of that interest, I have, of course, kept a close eye on what happens in the personal injury law world.

I obviously congratulate, as other hon. Members have done, the hon. Member for Preseli Pembrokeshire (Mr. Crabb). He has spotted an issue and run hard with it in several different ways. He has been very persistent, and I congratulate him on that, as well as on the good humour with which he has presented his Bill today. He has engaged constructively with me in debate. Unfortunately, as he knows, we have come to different conclusions on this issue, but that is not a reflection on the way in which he has approached it. I am sorry that he has not been able to persuade me, nor I him, but I hope to be able to influence the House's discussion of the Bill.

My concern is that the hon. Gentleman has focused on only one side of the story, as my various interventions have probably revealed. We have heard about the support for the Bill from country landowners, riding stables and many people involved on that side of the fence. We have heard about how the insurance industry, including the Association of British Insurers, is right behind this Bill—well, to coin a phrase, "They would be, wouldn't they?" My concern is for those on the other side of the fence. They are the people whom I used to represent when I was in practice—the injured, the victims, the people who are hurt through no fault of their own. People can be going along minding their own business and their car is hit by an animal belonging to someone else. They are run off the road and, as happened in the Mirvahedy case, they can sustain very serious injuries.

I am concerned about the young child, out with their family, walking along the bridlepath enjoying a sunny Sunday afternoon's stroll through the countryside, who is suddenly hit by a runaway horse, is severely injured and becomes a paraplegic. They will then be dependent on their family and on the state. I am concerned about the girl playing in the park who is unexpectedly attacked by a dog, as my hon. Friend the Member for Birmingham, Perry Barr (Mr. Mahmood) suggested, and has her face ripped off, but is left with no compensation. I am concerned about everybody who is injured by someone else's animal. That may be because that person has not trained their animal properly, or looked after it properly or fenced it properly. It may be because of that person's negligence, or it may not. It may be because of some characteristic of the animal, or it may not.

In any case, I believe—and this is the bull point of the debate—that if someone owns an animal that has the potential to hurt somebody else, it is far easier for the owner to take out insurance against what may happen as a result. Taking out insurance is also the responsible thing to do. If someone owns a horse, or a riding stable, they can take out insurance. If someone owns a dog, they can take out insurance. Indeed, their household policy may already cover them, as a standard term, for injuries caused by their domestic pets. But the passer-by, the car driver who only has third party insurance, the child on the bridle path, or the little girl playing on the swings who gets attacked by the pit bull cannot insure against that risk, because they do not even know that it exists. The net result is that they end up uncompensated and their family have to look after them for the rest of their lives. That also involves the state, because if someone is severely injured, they will become dependent on benefits and the state will have to pay.

It is a luxury to own a dog. Before I was elected, I had a dog. Unfortunately, she died of old age in the autumn of 1996, and our present lifestyle would make it difficult to own another, given the hours that we work. She was a wonderful animal, and she would not have bitten anybody, but she would growl and snarl a bit. I was responsible for her behaviour, and I recognise that fact. Similarly, if people own a horse, they should be responsible for injuries that it may cause. That is self-evident, and if most people were asked the question in that way, they would answer in the affirmative. Most people would recognise that they can insure over the things that they own, but they cannot insure over things and risks that they do not own. That is the fundamental difference between us today. When I put that question to the hon. Member for Preseli Pembrokeshire and my hon. Friend the Minister, the problem was that everyone skirted round the answer. Nobody would say, "Yes, I am prepared to see that person go uncompensated and dependent on their family and the state." Nobody was prepared to say that in absolute terms.

Dr. Desmond Turner (Brighton, Kemptown) (Lab): Does my hon. Friend agree with the perhaps simplistic thought that if we start from the proposition that there

is automatic liability on the part of an owner, whatever the consequences of an animal's behaviour, it becomes hopefully not a question for lawyers to argue about at great length and expense but for the insurance industry to take up? The insurance industry has a long history of being able to assess risk and charge accordingly.

Mr. Dismore: My hon. Friend makes an extremely constructive point. I am not sure that we will be able to eliminate lawyers completely from the equation, but liability will always be one of the big issues. Even with a law of strict liability, there will always be arguments about who is or is not within the terms of that. My hon. Friend is entirely right, and this is my main point. If someone owns something that can cause people injury, even if they do not expect it to, they can insure against that risk. The injured person cannot. That is why what has been proposed today is unfair to society as a whole. If someone is making money as a business out of owning a horse establishment, that is their business and they are making a profit. If someone owns a dog, they have the pleasure of owning the dog. Indeed, that is true of any other pet.

Several hon. Members *rose—*

Mr. Dismore: A plethora; who shall I start with? I shall I give way to the hon. Member for Somerton and Frome (Mr. Heath).

Mr. Heath: I do not understand the logic of what the hon. Gentleman is saying. I could understand it if he was talking about no-fault compensation under any circumstances, but if there is strict liability purely for the purposes of owning an animal when no negligence has been shown, why does he not extend that principle to every potential risk? Someone might drive into the wall outside his house. Does he believe that he should have strict liability for that? There is no negligence on his part, but does he believe that he should be responsible for any consequences?

Mr. Dismore: The hon. Gentleman probably means the driver. If a driver drove into the wall outside my house, they would probably have been negligent in the process. The hon. Gentleman raises a more interesting question, which is the issue of strict liability. We have strict liability elsewhere in the law—there is no doubt about that—in circumstances where it is appropriate. I remember when I was a young articled clerk sweating through section 14 of the Factories Act 1961—thou shalt guard a machine. If someone did not, and a worker got a finger chopped off, that person was liable. The worker might have shown contributory negligence and the compensation might have been reduced, but there was strict liability. The person whose machine it was was responsible for it. Similarly, here, it is a case of saying, "It's your dog. You are responsible for it." If that dog injures somebody, the owner should have to pay for it.

There are examples elsewhere in the law, too—I hope to give some of them later—of where strict liability applies when it is considered appropriate, although that is not the case throughout society. We also see semi-strict liability appearing in the law in other circumstances. For example, in motoring cases, generally speaking the law will apply a much higher standard to a driver who injures a pedestrian than to one who hits another vehicle. That is how the law has developed in relation to how the standard of carelessness is applied. To suggest that somehow this is a novel concept and that we do not have strict liability in the law anywhere else is wrong. Do I advocate strict liability throughout society? That is somewhat utopian; I would like to see it, but it is a somewhat utopian dream. *[Interruption.]* Yes, the hon. Member for Somerton and Frome is a Liberal; he wants utopia.

Stephen Pound (Ealing, North) (Lab): It is a perfectly worthy ambition.

Mr. Dismore: Obviously, as a good Catholic, my hon. Friend has read Sir Thomas More's book, "Utopia", and sees what it is all about.

Stephen Pound: For the information of the House, I have, of course, read everything that Sir Thomas More wrote.

Mr. Dismore: I am not in the least bit surprised.

Jonathan Shaw: Let me make a point of clarification because dogs have been referred to a great deal and we have heard about the incident involving a child being attacked in a public park. The Dangerous Dogs Act 1991 makes it an offence to allow a dog to be dangerously out of control in a public place, or a place in which it has no right to be—someone else's private property—and compensation can be paid.

Mr. Dismore: I think that my hon. Friend will find that that does not follow because that Act creates criminal liability, not civil liability, and that is a rather different kettle of fish. The same issue arises from the Guard Dogs Act 1975 because it creates criminal liability, not civil liability. In the end, that is the basic problem.

We have strict liability in relation to product liability, and certain aspects of occupiers' liability involve strict liability, so it is nothing new. However, the feature that makes something worthy of strict liability is an imbalance between the parties: the victim and the person who owns—that is "owns" in the broadest sense—the hazard. Under the Factories Act, strict liability is applied because of the imbalance of the relationship between the owner of the machine in the factory and their employee. In product liability, there is strict liability between a product's manufacturer and its consumer. In occupiers' liability, there is strict liability in certain circumstances between the owner of the land and the visitor to it. In those examples, there is a significant power imbalance between the groups concerned. I believe that there is a power imbalance between the owner of an animal, who is in a position to insure for what the animal might do—even if the way in which they look after the animal is not negligent—and the victim who is injured. That makes the argument in favour of strict liability in this case.

Mr. Mahmood: There are some very irresponsible dog owners in urban areas who do not insure or take precautions. There are also dangerous people who breed dogs for fighting purposes. When those dangerous dogs attack someone and there is no absolute liability, how do we represent our constituents?

Mr. Dismore: Owning a fighting dog would be a criminal offence under the Dangerous Dogs Act 1991, but unfortunately that does not create civil liability. In the end, such cases come back to the Animals Act 1971. Under that Act, one is ultimately dependent on the other party being able to pay, which is why responsible people have insurance, although unfortunately some people do not. Who bears the responsibility: the victim who is injured, or the person who has the benefit of the animal? It should be the person who has the benefit of the animal—rightly or wrongly, and regardless of whether they have looked after the animal properly. One should accept the consequences of one's actions, and owning an animal is an action. If that animal misbehaves, for whatever reason, and injures someone, its owner should be liable to pay compensation to the victim.

Mr. Crabb: I am trying to follow the hon. Gentleman's argument. It appears that his main objection is not with my Bill, but with the very principle of section 2(2) of the Animals Act. He does not agree that that Act should try to achieve an appropriate balance, but thinks that strict liability should apply in all cases. That is probably not a discussion for the consideration of this Bill and he should work on that outside this debate.

Mr. Dismore: This is a Second Reading debate. The hon. Gentleman is trying to weaken the existing elements of strict liability, but I would like that to go further. If the Bill makes further progress, I might well wish to table amendments to that effect on Report, but we will have to see how the Bill gets on. I think that I was sent down this road by the intervention made by the hon. Member for Somerton and Frome, although I had not intended to go down this particular byway at present. However, I am quite happy for my views on this issue to be flushed out. A discussion about strict liability is relevant to the Bill because it would remove strict liability in circumstances in which it already exists. I would argue that that is the wrong way to go. We should be going in the other direction, reinforcing the strict liability that already exists and clarifying the law in that direction, not clarifying it in the other direction by taking away the strict liability that already exists.

Mr. Crabb: I am not trying to remove strict liability where it already exists in law. The whole point is that the law is unclear. We have had the Mirvahedy judgment and last week's Court of Appeal judgment that went the other way. This area of the law is muddied and confused and there is an urgent need to bring clarification to it, and that is the whole point of the Bill.

Mr. Dismore: I hear what the hon. Gentleman says, and my hon. Friend the Minister said that the object was to clarify the law. I have read the Mirvahedy judgment and I do not find it particularly difficult to follow the principles behind it. The courts have applied Mirvahedy in a series of cases since, and generally speaking they found in favour of the defendant in most of the cases that I have read, one or two of which we may discuss later. I would simply say that if the law does need clarification, the hon. Gentleman is clarifying it in the wrong direction.

Stephen Pound: I am delighted to hear that my hon. Friend finds Mirvahedy straightforward. That is another compliment to his extraordinary forensic brain. However, I seem to remember that in McKenny *v.* Foster there was a long discussion about the psychology of a cow on a road and the degree of agitation caused to that cow. Does my hon. Friend accept that there are many of us who sadly lack his cerebral qualities who do find the law confusing, but are not entirely convinced that the Bill will resolve all the issues?

Mr. Dismore: I would simply say to my hon. Friend that if it is his cow, it is his responsibility. That is my answer to his question. That particular case came to a different conclusion, and we will perhaps talk about that later and analyse the decisions in that case. If my argument were to be accepted, it would answer his question very simply.

Dr. Desmond Turner: This is a salient point. If we are talking about clarifying the law, the simple test is whether the Bill adds clarity or further opportunities for lack of clarity. If my hon. Friend can give his view on that, I shall be grateful.

Mr. Dismore: I would tend to agree with my hon. Friend. We may reach this point later, but having looked at the Bill, in my opinion it may create some confusion. If the proposed amendments to the Animals Act clarify the law, they do so by reverting to the old-fashioned law of negligence, as I understand the Bill's intention. The problem with that is that, although it is tried and tested and has developed over centuries, it provides a field day for lawyers as to what is or is not negligent, what is or is not a breach of duty and whether a duty is owed in some circumstances under the Donoghue *v.* Stevenson principle. We may talk about snails later and how they got into the bottle of ginger beer. In fact, it was never discovered whether there was a snail in the first place, but that is another story. The basic principles of negligence are wide open for argument. One of my concerns is that if the Bill is enacted we will see a lot more cases going to court with argument about whether the circumstances were negligent than we do under the existing arrangements where we have a modicum of strict liability, which is a lot clearer and more likely to lead to an earlier settlement of claims where people have been injured as a result of somebody else's animal.

Stephen Pound: This may appear to be a slightly abstruse debate, but we should never forget that in McKenny *v.* Foster there was a fatality. Does my hon. Friend agree that we are not necessarily debating an obscure point of law but, as in the tragic case when Derek Shaw was killed, what may be a life and death issue, and that we should at least try to introduce law that—if not in every case, in the majority of cases—will prevent, and where it cannot prevent, compensate?

Mr. Dismore: That is basically my position on the Bill. The hon. Member for Preseli Pembrokeshire does not want that outcome, but my view is that if someone owns an animal, they should pay for the consequences of that.

Mr. Crabb: On the intervention made by the hon. Member for Ealing, North (Stephen Pound), I should say that my Bill does not affect negligence; that is not the point. The Bill is about clarifying where strict

liability can be applied—*[Interruption.]* I shall need to intervene again on the hon. Member for Hendon (Mr. Dismore).

Mr. Dismore: I think that I know what the hon. Gentleman's intervention was going to be.

Stephen Pound: Good Lord; is there no limit to your powers?

Mr. Dismore: I can be a bit of a mind reader sometimes; I have had to be many times in this area of the law. I think that the hon. Member for Preseli Pembrokeshire is trying to say that his Bill would make the law of negligence clearer than it is now.

Mr. Crabb *rose—*

Mr. Dismore: If that is not what he is trying to say, so be it. My mind-reading ability and crystal ball have failed me.

Mr. Crabb: The hon. Gentleman seems content with the law as it has been since the case of Mirvahedy. Yet in the case mentioned by the hon. Member for Ealing, North, the victim was not compensated because the law was not sufficient to provide the protection. The law is unclear; that is the whole point of this discussion. We are not talking about claims that go along the negligence route, but about where strict liability does and does not apply.

Mr. Dismore: That is the point—it is a question of "stick or twist". Personally, I think that the Mirvahedy case is inadequate in the other direction from the hon. Gentleman's. Although it could not, because of the way that the 1971 Act is phrased, I would have liked that case to produce a different result—the one for which my hon. Friend the Member for Ealing, North (Stephen Pound) is contending. The hon. Member for Preseli Pembrokeshire wants things to go the other way—that is, as the minority of those involved in the judgment concluded, that Mr. Mirvahedy should have gone uncompensated despite his tragic and serious injuries. The consequence of the hon. Gentleman's argument would be that Mr. Mirvahedy would not have been compensated.

Mr. Crabb: He was insured.

Mr. Dismore: That is unusual. Generally speaking, people are not insured in such cases; if Mr. Mirvahedy was, that was a one-off. If he had not been, as would normally have been the case, he would not have been compensated, according to the hon. Gentleman's interpretation of the law. My argument is that at least Mr. Mirvahedy was compensated. If a Bill was to be introduced, I would like it to go in the other direction from the one in which this Bill goes—towards improving, rather than reducing, victims' rights. That is where I part company with the hon. Gentleman.

Mr. Deputy Speaker: I say gently to the hon. Gentleman that although this is the Second Reading of a private Member's Bill and there is room for wide debate, he said earlier that he was going to start dealing with the Bill in detail. He is in danger of confusing the Bill with what he would like to see. It is worth making that point to him.

Mr. Dismore: Thank you, Mr. Deputy Speaker; I am afraid that I got carried away by the interventions.

Stephen Pound: And clairvoyance.

Mr. Dismore: And clairvoyance. I apologise.

The purpose of the Bill is to clarify the law, a point mentioned by the Minister and by the hon. Member for Preseli Pembrokeshire—although it may be the hon. Gentleman's secondary point after the insurance issue. My argument is that they intend to clarify the law in the wrong direction; the Bill is the wrong way to go about achieving that clarity.

This is a private Member's Bill and this area of the law is too complicated to be dealt with through such a Bill. The issue is one for a Government Bill that considers comprehensively the law on liability for animals. That would be a far more sensible route. The Minister said that he had not been able to find Government time for that, but the fact remains that we have not discussed proper legislation on this issue since 1971, and the roots of the 1971 Act date back to the 1950s. It is time to have a proper review of the law.

Bill Wiggin: On a point of order, Mr. Deputy Speaker. In your previous ruling, you advised the hon. Member for Hendon to restrict himself to dealing with the Bill, rather than telling us what he wants. Just now, I distinctly heard him say that he wanted a Government Bill. Is that in order?

Mr. Deputy Speaker: Such matters are for debate. I would have interrupted the hon. Member for Hendon if I had thought that he was out of order. However, my earlier remarks still stand. The hon. Gentleman is an experienced Member, not least when it comes to Friday sittings; I am sure that he will bear in mind what I have said.

Mr. Dismore: Thank you, Mr. Deputy Speaker. I had finished my point, so the hon. Member for Leominster (Bill Wiggin) need not have made his point of order.

I am a member of the Association of Personal Injury Lawyers—I am classed as an academic member rather than a practising member, which means that my subs are a bit lower. I spoke to representatives of that organisation this morning. They had not heard of the Bill until the hon. Gentleman contacted them—I believe that he made contact only at my suggestion when he held his little meeting the other week. They said, without endorsing the Bill, that they need to examine it and discuss it with their members. If I know the Association of Personal Injury Lawyers, it will make similar criticisms to those that I have expressed.

The Bill overlooks the statutory protection in section 5 of the 1971 Act. That came out in some of our earlier discussions. When I made the point, it seemed from people's reactions that they had never heard of or looked at section 5. It provides a significant defence for claims in either the Mirvahedy circumstances or, more frequently, in the riding school cases.

Section 5 of the 1971 Act states:

"A person is not liable under sections 2 to 4"—

we are concerned with section 2—

[Mr. Dismore]

"of this Act for any damage which is due wholly to the fault of the person suffering it... A person is not liable under section 2... for any damage suffered by a person who has voluntarily accepted the risk thereof."

Most of the cases involving people in riding schools—those who have been trained to ride a horse or have hired the horse—have failed on the basic principle of volenti non fit injuria, which is an old common law principle given statutory force in section 5. A defence, therefore, exists in many cases.

There is also protection under section 5 for liability in respect of a trespasser if it is proved that

"the animal was not kept there for the protection of persons or property; or...that keeping it there for that purpose was not unreasonable."

That is important because the debate so far has focused on horses, but we know from the statistics that far more accidents are caused by dogs, including guard dogs. Although the debate has focused on the equine, we should not forget the canine. Section 5 of the 1971 Act provides a defence for many of the cases that trouble the hon. Member for Preseli Pembrokeshire. He should bear that in mind in our debate.

The hon. Gentleman made great play of insurance. The Library briefing states that there has been a rise in insurance premiums and mentions riding schools whose insurance premiums have increased to more than £7,000. It also states that the cost of annual membership of the Racehorse Owners Association has increased from £165 to £195. For someone who owns a racehorse, £30 more probably constitutes small change down the back of the sofa. The hon. Gentleman should not pray that in aid. In his press release that announced the Bill, he said that the existing legal position was grossly unfair to responsible animal owners and that rural businesses were placed at risk by the huge increase in premiums since the House of Lords judgment. He also said that millions of people who enjoy horse riding face extra costs as a result.

When the hon. Gentleman introduced the Bill, he said that his clarification of the law through the removal of strict liability would affect only a small number of cases. My hon. Friend the Under-Secretary also said that. The Library briefing cites an article by barristers Susan Rodway QC and James Todd, entitled "Mirvahedy—Three Years On". They report that insurers are insisting on higher standards of risk management in the form of record keeping, risk assessment and compliance with local licensing regimes. The article asks why the predicted explosion in strict liability cases has not happened. Indeed, there has not been a huge increase in cases or risk. There has been a tiny number of cases. Some may be high value cases—Mirvahedy was a high value case because of the extent of the injuries—there is no doubt about that, but they are a tiny number. If we average out the insurance risk even of high-value multi-million pound claims, of which there are very few, over the cost for the whole industry, that does not significantly increase the insurance liability risk. That is what insurers are about.

I asked the hon. Member for Preseli Pembrokeshire in an intervention—it was a tongue-in-cheek intervention, but an intervention none the less—whether he had received any indication from the insurance industry that it would reduce premiums if the Bill went through. Obviously he could not answer that question, never mind consider the 50 per cent. reduction that we can infer from the figures in the Library briefing that have been quoted in this debate. The fact is that insurers do not reduce their premiums. I have yet to hear of any circumstance in which insurance companies charged less because something changed. A bit like the gas board and the cost of oil prices, insurance companies are quite happy to put premiums up, but very slow to bring them down.

That is the simple nature of the insurance industry. If the hon. Gentleman's Bill goes through, I would be happy to have a little gentleman's wager with him—of a drink in the Strangers Bar, say, or whatever he chooses—that insurance premiums would not go down. I know for certain that premiums would not come down and I think that, realistically, he knows that, too.

Mr. Roger Williams: I am not entirely knowledgeable about the black arts of the actuarial profession—the actuary of actuaries, actually—*[Laughter.]* However, some risks that are covered never have any claims made against them at all. Insurance is provided because large claims may be made in the future, so the hon. Gentleman's point about smoothing and averaging things out does not apply to rural businesses in particular. They have great insurance difficulties, because they are small businesses that potentially face large claims.

Mr. Dismore: The hon. Gentleman has hit the nail on the head. The insurance industry has not made an assessment that risks have increased; rather, it is starting to cherry-pick its customers. Frankly, the industry does not like small businesses, because it does not make any money out of them. Even if insurance premiums go up, they are still relatively trivial to the insurance industry. What is happening more generally—not just in the context of this debate—is that small businesses are finding it harder to get insurance because it is more trouble than it is worth for the industry to insure them. The industry therefore jacks up its premiums to achieve that objective.

There is a general trend in the insurance industry, which the increases in premiums reflect. The increases are nothing to do with the Mirvahedy case, which the industry is using as an excuse. In the same way, the compensation culture argument is used as an excuse to jack up premiums, when we all know that there is no such thing as the compensation culture. There is a perception that it exists, but all the figures show that it does not. Indeed, all the figures show that the number of claims is decreasing. What we have seen is a different market approach from the insurers, who are looking at how they can insure people differently. The insurers are cherry-picking and looking for the good risks and the large businesses, from which they can make money, and they do not like small businesses.

Stephen Pound: I do not share my hon. Friend's gifts of clairvoyance, but for a moment I peered into my mind and saw a future private Member's Bill of his own, on requirements for insurance companies, and I anticipate being here on a Friday morning to support him in that. However, does he agree that the Mirvahedy

case was essentially a dispute between two insurance companies? We should be asking whether the Bill that the hon. Member for Preseli Pembrokeshire (Mr. Crabb) has brought forward would make such disputes less likely or whether it would encourage more insurers to widen their pool of insured people prior to its becoming a putative Act.

Mr. Dismore: The hon. Member for Preseli Pembrokeshire said at the start of this debate that the number of cases that would be excluded from liability is relatively small. If we start from that premise, the number of cases where the victim would be insured in the way that Mr. Mirvahedy was insured would be even smaller. We would then be using an exception of exceptions to create a new rule. That is the real problem. The debate is building a huge superstructure from a problem that is relatively trivial in the wider scheme of things. It is an important matter and an important legal principle, but the Bill would not make any difference to the insurance industry because it applies to a small number of claims. It would not make any difference to the insurance premium of the hon. Member for Brecon and Radnorshire (Mr. Williams), because he is not a particularly attractive risk for the insurance industry to take on.

The real reason for the current situation can be found in another part of the article in the Library briefing. It states that

"insurers are likely now to insist on much higher standards of risk management in the form of record keeping, risk assessments and compliance with local licensing regimes."

That has nothing to do with Mirvahedy; it is about negligence. If somebody is sued for negligence, those are the sort of things with which they will have to be able to show that they have complied in order to defeat the claim. The Mirvahedy case would have had strict liability irrespective of risk assessments, licensing regimes and record keeping, so the case has made no difference at all.

Quite rightly, the insurance industry has recognised that the animal industry is not as safe as it could be. A lot of claims have been made, but they are nothing to do with Mirvahedy. They might instead relate to ordinary negligence procedures and to other parts of section 2 of the 1971 Act. If there has been an increase in the number of claims, that might be where it has come from and the reason why the insurance industry has jacked up its premiums. It might use Mirvahedy as an excuse, but the reality is rather different.

Mr. Crabb: Perhaps the hon. Gentleman will clarify whether he is quoting an article by Susan Rodway QC.

Mr. Dismore *indicated assent.*

Mr. Crabb: She is one of the UK's three leading barristers with expertise on the 1971 Act. The hon. Gentleman should be aware that she has participated in our discussions in the past few months with those in Parliament, stakeholder organisations, officials from the Department for Environment, Food and Rural Affairs and others. I assure him that she is very much alive to the fact that Mirvahedy has created problems. There are other problems and pressures associated with the Act, but if the hon. Gentleman wishes to quote Susan Rodway QC, he should be aware of her participation in the discussions about the effect of Mirvahedy.

Mr. Dismore: I am happy to accept what the hon. Gentleman says about Ms Rodway, but I am talking about cause and effect. Yes, insurance premiums have risen, but why? Is it because of Mirvahedy or other factors? My argument in response to his case is that when one analyses the facts, one sees that Mirvahedy can logically have had only a minor impact on premiums, if it has had one at all.

The growth of insurance premiums is the hon. Gentleman's key point, but I believe that the insurance industry has made a general risk assessment of its exposure to liability in respect of animals, and particularly horses. It has recognised that there are serious concerns irrespective of Mirvahedy, so it is clamping down on riding establishments that are not doing things properly. I think that we would all agree that risk assessments and appropriate record keeping are good, and I am sure that we would agree that compliance with local licensing regimes is good. That is why the insurance industry is insisting on those things. I am sure that premiums have risen for those who have not been following those procedures, who present a much bigger risk than the off-chance of a Mirvahedy-type claim. That is why insurance premiums have gone up.

There has been a general trend for the insurance industry to cherry-pick and to make it difficult for small business, not just in relation to claims on animal matters. That has been a fact of insurance life for quite some time. The timing of the Mirvahedy judgment and increases in insurance premiums may have coincided, but that is indeed a coincidence rather than being due to cause and effect to any great degree.

Mr. Mahmood: As my hon. Friend the Member for Glasgow, North-West (John Robertson) and I mentioned earlier with particular reference to injuries caused by dogs, many people in urban conurbations do not insure themselves against that risk. Will the Bill make a real difference to my constituents? If, for example, someone campaigning for me in the constituency and dropping leaflets through the door has their finger ripped off when they put their hand through the letterbox or someone enjoying a day in the park with the family gets set on by a dog, causing serious injuries, how will the Bill assist them if the owner of the animal has no insurance?

Mr. Dismore: I regret to tell my hon. Friend that the Bill will not assist them at all. That is the issue. It takes us back to earlier discussions of whether we should have compulsory insurance for animal ownership. I suspect, however, that in the circumstances my hon. Friend the Member for Birmingham, Perry Barr described, even if we had legislation making insurance for dog owners compulsory, certain irresponsible people would still not be insured. Unfortunately, some people are irresponsible and do not insure when they should; for example, at any one time, something like a fifth of motorists are not insured. There are, of course, arrangements in the motoring industry to compensate those who are injured by uninsured, negligent drivers, because, unfortunately, some people are irresponsible and do not comply with the law.

Stephen Pound: The Law Commission report on which the Animals Act 1971 was based actually reported in 1967—41 years ago—yet it was not until cases such as Curtis *v.* Betts of 1990 that that Act started to be subject to legal scrutiny. Does my hon. Friend feel that in the period between the Law Commission report and Curtis *v.* Betts, the law actually operated? If so, what has changed? If my hon. Friend denies that there is a compensation culture, what has suddenly caused this flurry of cases and increased scrutiny of the 1971 Act?

Mr. Dismore: I do not think that there has been a flurry of cases. If we go through history, we find such cases coming through all the time, as I shall explain later in more detail when I examine some of the consequences if the Bill changed the law as the hon. Member for Preseli Pembrokeshire wants. There has not been a huge upsurge, but a steady trickle, going back, in my reckoning, to about the 1880s—

Stephen Pound: Possibly the 1980s.

Mr. Dismore: My hon. Friend suggests the 1980s, but I actually mean the 1880s, as there have been many such cases throughout history. Frankly, I do not believe that the Mirvahedy decision is primarily responsible for that significant increase. The hon. Member for Preseli Pembrokeshire conceded that, because he acknowledged that there were few such cases.

Mr. Crabb: There may be relatively few cases, but there is certainly enormous confusion about the law. Even when cases are not going to court, the confusion in the law is leading to adverse outcomes. That is the central issue in our discussion.

Mr. Dismore: First, I do not concede that any such confusion in the law is as confusing as the hon. Gentleman suggests and, secondly, the adverse cases are those when people are not compensated rather than the opposite. That is my main difference with the hon. Gentleman, who prefers to see children go uncompensated.

Mr. Crabb *indicated dissent.*

Mr. Dismore: The fact remains, to finish the point about insurance that my hon. Friend the Member for Ealing, North raised earlier, provision for compulsory insurance is already in place in certain circumstances. Chapter 70 of the Riding Establishments Act 1964 makes it a requirement for riding schools. Section 1(4A)(d) makes it absolutely clear that

"the licence holder shall hold a current insurance policy which insures him against liability for any injury sustained by those who hire a horse from him for riding and those who use a horse in the course of receiving from him, in return for payment, instruction in riding and arising out of the hire or use of a horse as aforesaid and which also insures such persons in respect of any liability which may be incurred by them in respect of injury to any person caused by, or arising out of, the hire or use of a horse as aforesaid".

Thus, there is already a requirement for compulsory insurance in the horse industry—a point I put to the hon. Member for Leominster, who was clearly not aware of the Riding Establishments Act 1964. Although that requirement for comprehensive insurance dates from the 1960s, it was reinstated in the Riding Establishments Act 1970, which made provision in similar terms, so there is nothing novel in my argument that there should be compulsory insurance for animal ownership. It goes back to 1964—before the 1967 Law Commission inquiry, before the Animals Act 1971 and before the Riding Establishments Act 1970, which also predates the 1971 Act. What I propose in that respect is nothing new.

Where does that take us? The Library briefing summarises the position simply:

"The Bill aims to narrow the number of situations...when an owner of an animal will be strictly liable (that is liable for compensation to an injured party regardless of whether there is any fault on the owner's part) following an accident involving the animal."

The Mirvahedy case puts the point rather clearly and throws the question squarely upon us. Lord Nichoils of Birkenhead, who made the lead judgment in the Mirvahedy case, put it this way:

"The appeal raises one question: is the keeper of an animal such as a horse strictly liable for damage caused by the animal when the animal's behaviour in the circumstances was in no way abnormal for an animal of the species in those circumstances?

Lest there be any misunderstanding one point should be clarified at the outset. Considered as a matter of social policy, there are arguments in favour of answering this question yes, and arguments in favour of answering no. It may be said that the loss should fall on the person who chooses to keep an animal which is known to be dangerous in some circumstances. He is aware of the risks involved, and he should bear the risks."

That is my case. Lord Nicholls continued:

"On the other hand, it can be said that, negligence apart, everyone must take the risks associated with the ordinary characteristics of animals commonly kept in this country. These risks are part of the normal give and take of life in this country."

That is the argument of the hon. Member for Preseli Pembrokeshire, and that is what his Bill would achieve. Those paragraphs from Lord Nicholls's judgment fairly and squarely put the difference between us in the House today.

Lord Nicholls goes on to say:

"These considerations, and other arguments of this nature, are matters for Parliament. They are not matters for this House acting in its judicial capacity. It is not for the courts to form a view on which of these arguments seems the more weighty when Parliament has already carried out this exercise. Parliament must be taken to have weighed the various factors, and balanced the conflicting interests of those who keep animals and those who are injured by them, when enacting the Animals Act 1971. The answer to the question I have posed lies in interpreting the provisions of this Act, and in particular section 2(2), in accordance with established principles of statutory interpretation."

Applying those principles, Lord Nicholls and the majority in the Mirvahedy case—we have heard a lot about the minority—came to the conclusion that, in those circumstances, Mr. Mirvahedy should be compensated, and I agree with Lord Nicholls. The majority in the House of Lords agreed with him as well.

The basic principle set out in the Mirvahedy judgment is clear, but the issue is not new. It has been troubling society since biblical times, believe it or not. If we look at Exodus—*[Interruption.]* My hon. Friend the Member for Ealing, North perks up. There is provision in Exodus. That is important because it is the origin of the scienter principle, which goes to the root of today's debate. The

scienter principle was overturned by the 1971 Act and replaced by section 2(2)(b). It is to do with the extent to which somebody knows or does not know what their animal is likely to do. My hon. Friend is now looking at me with anticipation. If he wants the references, they are Exodus 21, 28-30 and 35-6.

Stephen Pound: I am sure the whole House is grateful for the enlightenment provided by my hon. Friend. I have to say that my Douay version of the Bible is not as yet amended by the 1971 Act, but I am sure that it is only a matter of time. Surely the key point in the case he refers to and the matter we are discussing is whether the Bill would protect and save. Is not that the real issue—the effect on people rather than an obtuse point of law, or even the Old Testament?

Mr. Dismore: As usual, my hon. Friend puts the point succinctly, and we need to see the root of how we got there. I am sure he prefers the King James version to the New International. The King James version simply says:

"But if the ox were wont to push with his horn in time past, and it hath been testified to his owner, and he hath not kept him in, but that he hath killed a man or a woman; the ox shall be stoned: and his owner also shall be put to death."

I am certainly not advocating the death penalty in those circumstances.

Justine Greening *rose—*

Stephen Pound: However, Justine Greening.

Mr. Dismore: Maybe I will make an exception.

Justine Greening: I am listening carefully to the hon. Gentleman. He mentioned that his dog died, and I am sorry to hear that; I wonder whether its death was due to boredom. I can see that he is very concerned about animals. After he has finished speaking, I have a Bill that will impact on biodiversity, and I hope that he will bear that in mind.

Mr. Dismore: I am sure that the hon. Lady, who is not a regular attender on a Friday—[HON. MEMBERS: "Oh."] Well, if the House sits on a Friday, I believe that people should come. I come, and my hon. Friend the Member for Ealing, North comes regularly, to debate such matters. I am sure that the hon. Lady would not expect a public Bill to advance to Committee, if that is the will of the House, without receiving effective and proper scrutiny. It was her choice, of course, to timetable her Bill to come after this one. If she had thought about it, she might have picked a different day, when it might have been taken earlier. It would be an unfortunate parliamentary precedent if we were to eschew proper scrutiny of this Bill in order to get on to her Bill.

Justine Greening: I am interested by the hon. Gentleman's comments. My point is that going back to the Bible is a rather unnecessarily long-winded way of scrutinising this Bill. What does that add to the scrutiny of the various clauses, to which he has not referred particularly so far? Will he take that into account while he continues to ramble on?

Mr. Dismore: I do not think that the hon. Lady has been in the Chamber for the whole debate—

Justine Greening: I have.

Mr. Dismore: If that is the case, she will know that the debate turns on section 2(2)(b) of the Animals Act 1971 and the efforts of the hon. Member for Preseli Pembrokeshire to change its wording.

The problem is that the origins of section 2 go back to the principle of scienter—to put it bluntly, the extent to which an owner knows what an animal may or may not do or could be attributed with that knowledge. We have to go back to first principles if we are going to start taking them apart. In 1329, there was a case of a cow that struck a child under the mouth, from which blow it died—

Mr. Crabb: The hon. Gentleman clearly has not been listening that carefully to the debate. If he had, he would know that the purpose of my amendment is not to undermine first principles but to seek to clarify the law based on existing principles. His objective, as he has made clear in his speech so far, is to rip apart the principles underpinning the 1971 Act, which, as I understand it, is not under discussion this afternoon.

Mr. Dismore: The hon. Gentleman's Bill does exactly that; if he wants to change the law around, he must understand what the consequences would be. What he is trying to change goes to the roots of our laws relating to animals. The laws of Alfred refer to a dog biting a man, and what had to be paid for the first offence—that is, strict liability—

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. The hon. Gentleman will not be in order if he continues to trace back the whole history. We are dealing with a very short Bill, and he should bear in mind the distinction between discussion of general principle on Second Reading and detailed dissection in Committee.

Mr. Dismore: In that case, Mr. Deputy Speaker, I will not entertain the House further with the laws of Alfred, entertaining though they may be, or the equivalent laws of Wales, which are even more entertaining. *[Interruption.]*

Mr. Deputy Speaker: Order. I understand that that might be to the extreme disappointment of the hon. Member for Ealing, North (Stephen Pound), but we will have to bear his disappointment as stoically as we can.

Mr. Dismore: I shall send you the cuttings afterwards, Mr. Deputy Speaker, and you can read them over in the Tea Room if you are so inclined.

Stephen Pound: My hon. Friend is absolutely right to concentrate on first principles. I understand why you have made the ruling, Mr. Deputy Speaker, but we are talking about something of real contemporary relevance. The hon. Member for Putney (Justine Greening) will perhaps be aware that the Ramblers Association was among those consulted in the Department for Environment, Food and Rural Affairs

[Stephen Pound]

consultation in 2006. Originally, the association expressed some concern about the matter. Would it not be an utter dereliction of our duty if we did not subject the Bill to increasing scrutiny? I therefore appeal to my hon. Friend, as much as I can, to abjure the siren call from Putney.

Mr. Dismore *rose—*

Mr. Deputy Speaker: Order—but not the siren call from the Chair.

Mr. Dismore: Of course, Mr. Deputy Speaker.

We need to examine the law of negligence, and the starting point for that is the excellent text of the 17th edition of "Winfield and Jolowicz on Tort", which sets out the present position in short form. Chapter 16 states:

"At common law a person might be liable for damage caused by an animal on one or more of three distinct grounds, namely, ordinary liability in tort, liability under the strict scienter rule"—

that is what this is about, although I will not go down that route because you told me not to, Mr. Deputy Speaker, so we will not know what the scienter rule is—

"and liability for cattle trespass."

I am pleased to say that we are not concerned with that today, although it involves another interesting list of cases.

The text goes on to state:

"Liability for an animal may be based on negligence",

and cites these words:

"Quite apart from the liability imposed upon the owner of animals or the person having control of them by reason of knowledge of their propensities, there is the ordinary duty of a person to take care that either his animal or his chattel is not put to such a use as is likely to injure his neighbour—the ordinary duty to take care in the cases put upon negligence."

In other words, the ordinary rules of negligence apply, plus the scienter rule. That means that a person who knows that an animal is potentially dangerous is liable even if he is not negligent in dealing with it. That is what those earlier cases determined. If the hon. Member for Preseli Pembrokeshire gets his way, we will turn the clock back and return the law to how it was before the Animals Act.

The cases and issues relating to animals fall into two categories. There are animals known as "ferae naturae" and animals known as "tame animals"—there is another Latin phrase that I may come to later. Section 2(1) of the Act deals with the law applying to wild animals, while section 2(2) deals with that applying to domestic animals. The leading case in this connection is Behrens *v.* Bertram Mills Circus 1954. It took place in the days before political correctness, so I hope the House will bear with me when I relate the facts, which are recorded as follows:

"The plaintiffs, husband and wife, were both midgets and during the Christmas season in...1953, were on exhibition in a booth in a funfair adjoining the defendants' circus."

At the circus the defendants kept six female Burmese elephants that performed in the circus. Now, the problem was that the midgets' manager had a dog, and when the elephants went past, the dog spooked the elephants, and the midgets were trampled. The issue before the court was whether the elephants were domestic elephants or wild elephants. *[Laughter.]* I know it sounds funny, but it is actually quite important in the context of the principles behind the Bill. If the court had concluded that the elephants were domesticated and therefore not ferae naturae, section 2 of the Act and the amendments would apply to them. But the court concluded that, as a matter of law, all elephants were dangerous. It made no difference that the particular elephant in question was a highly trained Burmese elephant and, in fact, tame.

"for the harmfulness of an offending animal was to be judged, not by reference to its particular training and habits, but by reference to the general habits of the species to which it belonged."

The judgment stated:

"The elephant Bullu is in fact no more dangerous than a cow; she reacted in the same way as a cow would do to the irritation of a small dog; if perhaps her bulk made her capable of doing more damage, her high training enabled her to be more swiftly checked."

However, the judge also said:

"But I am compelled to assess the defendants' liability in this case in just the same way as I would assess it if they had loosed a wild elephant into the funfair."

What must be determined in such cases is whether an animal is a wild or a domestic animal in the first place. The debate has focused on horses, but the amendments that the hon. Member for Preseli Pembrokeshire seeks to introduce extend far beyond them to cover other animals.

The earliest case relating to animals going astray, and the one that set the scene, is Tillett *v.* Ward. The consequences in this case could well be the consequences of the hon. Gentleman's Bill, which seeks to return the law to its former state. This case is not about a bull in a china shop, but about an ox in an ironmonger's. It occurred in 1882. An ox belonging to the defendant was being driven through the streets of a country town, went into the plaintiff's shop, which adjoined the street, through an open doorway and damaged his goods, and there was no negligence on the part of the persons in charge of the ox. The ox was being driven along a street called Ironmonger street, which is a coincidence as the case involved an ironmonger's shop. The ox went along the pavement and into the shop and did a lot of damage; it took three quarters of an hour to get it out. There was no evidence of it being of a vicious or unruly nature normally, which was also the situation in the Mirvahedy case. There was nothing exceptional in its temper or character making it unsafe to drive it through the streets. The result in that case was that the shop owner, Mr. Tillett, went uncompensated. That would be the result in such cases if we were to return to the situation prior to the Animals Act, consequent upon the Bill of the hon. Member for Preseli Pembrokeshire.

There are also plenty of cases involving horses. There is a case that is of particular relevance to the principles of negligence that would be in place if the hon. Gentleman were to get his way—the Bradley *v.* Thompson Court of Appeal case of 1913. In the course of his employment, a workman was killed by the kick of a horse belonging to a third party whose servant had

brought it on to the employee's premises and left it unattended. The court came to the conclusion that it was not in the ordinary course of things that a horse not known to be vicious should kick a man. Such cases are of relevance in respect of the Mirvahedy judgment. In these circumstances, it was decided that there was no negligence at common law. The hon. Gentleman is contending that in such circumstances people such as Mr. Bradley should go uncompensated.

There is another case involving a pony bolting and damaging a draper's shop in Marylebone. The defendant's pony and milk van went through the window and damaged a lot of the stock; the case occurred in 1923 and the shop was called Gayler and Pope Ltd. The court looked at the circumstances and considered the issue of negligence, and came to the conclusion that for injury caused by horses or cattle to property on or adjoining a highway, the owner is not liable in the absence of negligence or a wilful intention on his part. Again, there would be strict liability under the Mirvahedy criteria in those circumstances, but under the Bill they would no longer apply.

Stephen Pound: I am fascinated by the legal journey—if not marathon—on which my hon. Friend is taking us, but let us go back to first principles, to borrow an expression he has used. The Law Commission report, which I see as the foundation of the Animals Act 1971, is the basis of his comments. That report addresses the issue of responsibility on the part of the owner. How does my hon. Friend think that that precautionary principle would be aided and encouraged if the hon. Member for Preseli Pembrokeshire were successful?

Mr. Dismore: Basically, I do not think it would. Let me explain my concern. I have been sharing these cases because they involve real incidents that actually happened, and because referring to them illustrates that such cases are nothing new, but have been going on for ever. They also show that people need to take responsibility. Earlier, we discussed insurers, who are now cracking the whip a bit and making sure that people are rather more responsible in how they run their businesses. If the hon. Member for Preseli Pembrokeshire were to get his way, such people would not be compensated because the court would find that there was no negligence. As things currently stand under the existing wording of the Animals Act, I think they probably would on the basis of the Mirvahedy principle.

Stephen Pound: Not for the first time—and, sadly, probably not for the last—I did not make myself entirely clear. I am particularly concerned about the issue of precaution and additional responsibilities on the owner or keeper of the animal. Does my hon. Friend think that there is anything in the Bill that would encourage or underpin the need for the owner or keeper of the animal to take more precautions?

Mr. Dismore: I can give a straightforward answer to that: no.

Stephen Pound: That was unusually terse.

Mr. Dismore: Yes, but I am always willing to give a clear answer when I am able to do so.

One or two of the dog cases illustrate a similar problem to the one that I am discussing. Fardon *v.* Harcourt-Rivington from 1932 is the first such case and it is one of the leading ones. The dog in question, a large Airedale, had been left unattended in a car parked round the back of Selfridges. When an innocent passer-by walked past, the dog started jumping about, the window broke and a shard of glass went into the passer-by's eye. No liability was found in that case. There probably would be liability under the principles of the Mirvahedy case, which the hon. Member for Preseli Pembrokeshire wants to remove. I am discussing the common law as it stood before the Animals Act and before Mirvahedy, and that would again be the position as a consequence of the Bill. When someone shuts a dog inside a car and the dog then starts to jump about and breaks a window, there ought to be liability, even though the court found that there had been no negligence in the 1932 case.

I come to the case of an accident that occurred virtually on all fours with the Mirvahedy case. The Searle *v.* Wallbank case related to events of April 1944, when someone cycling during a blackout collided with a stray horse on the highway. Again, the net result was that no liability was found. That was a similar case to the Mirvahedy one. The case of Fitzgerald *v.* E.D and A.D. Cooke Bourne (Farms) Ltd in 1962 involved a filly in a field, and again no liability was eventually found. The trial judge found that the fillies were not vicious but had a malicious propensity to play, which the defendants knew to be potentially dangerous, but the defendants' appeal was allowed on the basis that the animals were mansuetae naturae—domesticated animals. That was the sort of case—

Mr. Deputy Speaker: Order. I say to the hon. Gentleman that I do not think he has to go through every case in order to make his point, particularly given that he admits that he is repeating similar things. I ask him to bear in mind the proportionality of his argument. I have already ruled on the line between a general debate and what happens in Committee in detail.

Mr. Dismore: As always, I take your constraints to heart, Mr. Deputy Speaker. I assure you that I was not going through all the cases; I was just discussing a selection. If I selected too many, I apologise for doing so. There are some interesting ones to come.

Let us move on to how the proposed change to the law came about. We have heard a lot about the Law Commission proposals of 1967, but we have not heard about the January 1953 report of the Committee on the Law of Civil Liability for Damage done by Animals, which was chaired by Lord Goddard. That was the real precursor of the 1971 Act. The Committee held 19 meetings, and, as we are finding today, it found the subject matter of its inquiry to be

"of considerable difficulty and complexity"

because many of the cases were "of great antiquity". The Committee rightly drew the distinction between mansuetae naturae and ferae naturae in considering where the law stood and made various recommendations. It concluded that someone

"in the absence of scienter cannot recover for damage to the person whether caused to himself or his servants."

[Mr. Dismore]

That is where the law stood, and that is basically the problem that we face in this debate.

That ultimately led to the Law Commission inquiry, in respect of which a great deal has been prayed in aid in this debate. I freely acknowledge that Lord Goddard's 1953 inquiry and the Law Commission's 1967 one came to different conclusions from mine. The Law Commission report's introduction emphasised that the reform in this field is controversial, but it thought that the modernisation and simplification of the law was necessary. Again, it referred to the importance of the strict liability principle in relation to wild animals and drew the distinction in respect of tame—domestic—animals based on the knowledge principle, the scienter action.

I am not going to go through all the Law Commission's conclusions, Mr. Deputy Speaker, because I am sure that you would bring me to order if I were to attempt to do so.

Stephen Pound: Before my hon. Friend moves off that point, one of the key issues in the 1967 Law Commission report was that strict liability should not be imposed in respect of damage done by all animals. What was the motive behind the 1953 Goddard report? What concern about the law led to that report?

Mr. Dismore: The answer lies in the cases to which I previously referred. They highlighted a series of examples that made people uneasy about the conclusions of those cases. It was felt that people should have been compensated, but they clearly were not being compensated. The elephant case did lead to compensation, but the case of the ox in the ironmonger's shop did not. That case and others led to the pressure for law reform. The Goddard report came out in 1953, having reached its difficult conclusions, and the Government of the day must have put it in the too hard to do box.

In 1967, the Law Commission made further proposals. It said:

> "We do not consider that it would be desirable to impose strict liability in respect of damage done by all animals."

I take a different view of that, but it went on to say that it would be better to establish a category of animals for which there would be strict liability because they present a special danger, either to persons or property. The Law Commission recommended the imposition of strict liability in such circumstances. The category is not confined only to animals ferae naturae, but applies more widely, which is how we ended up with section 2 of the Animals Act 1971.

The Law Commission thought that strict liability should be imposed in respect of any injury or damage done by animals of a species presenting a special danger to persons or property. The question of whether an animal belongs to a dangerous species should depend, in the case of a category of animals ferae naturae, on a test prescribed by law. That test should take into account the risks to persons or property in the circumstances of this country. There are arguments about whether camels, for example, are domestic animals, and in the UK, at least, camels are considered to be wild animals, despite the fact that they are often domesticated in other parts of the world.

The Law Commission also discusses the issue of strict liability being imposed in respect of injury or damage done by an animal that does not belong to a dangerous species or if an animal had no dangerous characteristics from which the injury or damage resulted—which is the sort of case that we are talking about now—even if those characteristics are not common to the species as a whole, but are shared by other animals within the species, such as age, a particular time of year or in certain conditions. It also recommends strict liability in respect of either of the two categories, but that it should not be dependent on escape from control, which is where we are with the Mirvahedy case, because it did not turn on the fact that the animal had escaped. In fact, it turned on the fact that the animal was on the highway in a spooked condition. That of course leads to the question, which is discussed in some of the law books on the subject, of what would have happened if the spooking of the horse had ended and it was simply stood in the road not knowing what to do with itself—in other words, behaving normally after its anguish had ended. On a proper interpretation of Mirvahedy in those circumstances, it might well be that the liability would not have attached—an interesting moot point. I am pleased to say that the court did not decide on that point, although it is discussed in the law books.

The Law Commission also dealt with the question of negligence and recommended that liability should attach—I apologise, because that point has to do with the section 5 defences of contributory negligence and being responsible for one's own injuries.

The Law Commission's report gave rise to the debate that led to the Animals Act 1971. The first Bill on the issue was introduced in 1969, by the then Labour Government, and it was based on the model recommended by the Law Commission. The problem was that between 1969 and 1971 there was a general election and the further problem was that the Labour party did not win that election. When the new Conservative Government introduced the Animals Bill mark 2 in 1971, clause 2 had changed. It read as section 2 stands rather than as did the section recommended by the Law Commission. They should have stuck with the Law Commission definition. This is a disgrace on the Conservative party. All the problems come back to their decision in 1971 on how to phrase the Bill.

Justine Greening: The hon. Gentleman cannot really blame my hon. Friend the Member for Preseli Pembrokeshire (Mr. Crabb) for that; he was not even born then.

Mr. Dismore: I certainly do not blame the hon. Gentleman for the Bill in 1971. I blame his party, and he has to take collective responsibility for the decisions made by his party. I am happy to take responsibility for the original Bill of 1969, which would have dealt with the issue far more simply. If the Conservatives had kept the original wording, which was recommended by the Law Commission, we would not be in the difficulties that we are now. The law would have been a lot clearer. It would not have been what I would want to see—although it might have been what the hon. Gentleman wants to see—but, unfortunately, we do not have that before us today.

In 1971, during the Second Reading Committee on the Animals Bill, which was introduced in the Lords, the Attorney-General said:

"This has always been a troublesome and difficult branch of the law...it is a very ancient part of the law, because the law with regard to animals tended to reflect an agricultural society, and the society on which much of the early law was based was one in which man was much dependent upon the animals and came more into contact with animals."—[*Official Report*, 27 January 1971; Vol. 810, c. 736.]

My hon. Friend the Member for Ealing, North gives me a funny look, but that point is at the heart of our debate. The debate has focused on the rural side of the equation and, apart from the interventions of various of my hon. Friends, has overlooked the urban side, and in particular the problems caused by dogs.

The Attorney-General went on to deal with horses that are frightened and capable of kicking out. His view was

"that the keeper shall be liable only for a mischievous propensity of which the owner must know."—[*Official Report*, 27 January 1971; Vol. 810, c. 739.]

That is the old scienter principle, for which the hon. Member for Preseli Pembrokeshire contends. If that is what was intended, why did the hon. Gentleman's party, which introduced the Bill, not say so rather than create the mess that he believes exists and wants to tidy up? The Attorney-General went on to deal with clause 5, which concerned the defences as they then were. That gave rise to where we are with the 1971 Act today.

It is important to look at the 1971 Act before we start to consider the hon. Gentleman's amendments to it, in order to see exactly what we are dealing with. The Act provides for strict liability for damages done by animals under section 1. It deals with the circumstances in which that will arise, and we are particularly concerned with section 2.

Section 2 is divided into two halves. The first deals with animals that belong to a dangerous species, and that is where liability attaches. When damage is caused by an animal that does not belong to a dangerous species—we have to decide what a dangerous species is; we know that an elephant is, and so is a camel, but there are problems in relation to other animals—three criteria have to be satisfied to establish strict liability. The first is:

"the damage is of a kind which the animal, unless restrained, was likely to cause or which, if caused by the animal, was likely to be severe".

That provision has two different limbs. I tend to agree with the hon. Member for Preseli Pembrokeshire on this little point of amendment. We could do with some clarification here. That would not do any harm, and to that extent I am with him. However, when he gets on to section 2(2)(b), I start to have difficulties. That paragraph states:

"the likelihood of the damage or of its being severe was due to characteristics of the animal which are not normally found in animals of the same species or are not normally so found except at particular times or in particular circumstances".

That was the rationale of the Mirvahedy case, which came to the conclusion that when an animal was spooked it would be within those characteristics at that time. We also have a redefinition of scienter in section 2(2)(c), which reads:

"those characteristics were known to that keeper or were at any time known to a person".

The hon. Gentleman's amendments do not make it clear in his definition whether he will keep the constructive knowledge provided for in the 1971 Act or whether he will take that away. Perhaps when he sums up, he will tell us whether he plans to keep the constructive knowledge test. That is quite an important part of section 2.

Stephen Pound: I am loth to mention the Dangerous Dogs Act 1991 further. However, one of the great difficulties with its interpretation was the business of whether characteristics were inherited, trained, or acquired. Does my hon. Friend honestly believe that we can establish any sort of judicial, legislative, or even scientific framework to define the characteristics of an animal?

Mr. Dismore: My hon. Friend raises a very interesting point. Ultimately, that is a matter for case law. There is a difference in law between animals that are considered to be wild and those that are considered to be tame. The general definition in the Animals Act sits rather uneasily with the schedule to the Dangerous Wild Animals Act 1976 that specifically sets out dangerous animals. The Animals Act might have been more helpful if it had included such a schedule because that would have made life a lot easier. In the end, characteristics become a question of law. There was a case in which there was a question of whether a filly's prancing around a field and injuring someone was a characteristic. That was not decided under the Animals Act, but if it had been, it would have created interesting law.

Stephen Pound: I was trying to make the point that the majority of domestic animals might live in a state of nature in their natural lives, but in many cases they are shaped and formed by human beings, so are we considering an inherent characteristic, a formed characteristic, or a shaped characteristic? Once, when I was interviewing one of my constituents, he allowed a ferret to run across the desk, and it bit me. Apparently, that is an inherent characteristic of ferrets when meeting Labour MPs. Equally, however, an animal could be trained against its nature, so how could we possibly attempt to define the characteristics of an animal?

Mr. Dismore: My hon. Friend raises an interesting case. I am not sure whether a ferret is classed as a wild or domesticated animal in legislation. I would have required notice of that question to give my hon. Friend an answer.

Mr. Deputy Speaker: Order. I think that that is for another day.

Mr. Dismore: Thank you for rescuing me, Mr. Deputy Speaker. I could see myself getting into somewhat hot water over the nature of a ferret.

The Animals Act is well analysed in the 17th edition of "Winfield and Jolowicz on Tort". The authors particularly raise the scienter principle—you have said that I cannot go into that in detail, Mr. Deputy Speaker, so I will not—and examine the range of animals to which section 2(2) of the Animals Act

[Mr. Dismore]

applies. While I might not know the position in relation to ferrets, I certainly do in relation to dogs. The question is whether we are looking at all dogs, as a generic animal, or individual dogs of particular species and, ultimately, breeds. I am pleased that case law has looked at dogs with reference to their breeds. "Winfield and Jolowicz on Tort" says—this is relevant in relation to injuries—that Alsatians are powerful dogs and that if a member of that breed bites someone, it is likely that the injury will be severe. It says that it is unnecessary to say that a particular Alsatian is especially large or has unusually big teeth. What matters is not whether the injury is severe, but the propensity within the definitions in section 2.

There is also a question of likelihood, and what is meant by likely. An interesting example was given by Lord Scott in Mirvahedy itself. He said that one might break one's neck by falling down stairs after tripping over an escaped pet dormouse, but that no one would suggest that a dormouse was likely to cause death or injury. On the other hand, it is probable that the requirement would be satisfied if horses were to escape on to a busy motor road, as happened in the Mirvahedy case.

Mirvahedy is the particular problem here, and the learned authors of "Winfield and Jolowicz on Tort" have examined it. They summarise clearly the ratio in the Mirvahedy case.

They say:

> "Horses are not normally in a state of mindless panic but they will be when they are frightened and, for the majority of the House of Lords, their being frightened was 'particular circumstances' for the purposes of the second limb"

of the test.

> "The rival, unsuccessful interpretation,"—

for which the hon. Member for Preseli Pembrokeshire contends—

> "that the 'second limb' is not an alternative basis of liability but merely explains the basic requirement of abnormality by recognising that in some circumstances even placid animals will react dangerously is less consistent with the statutory wording".

That is the point. Ultimately we come back to looking at the wording of the statute, and that is where the point that I made earlier arises. They go on to say:

> "Suppose the horse had got over its panic at being lost and suddenly stopped still in the middle of the highway and was hit by the claimant's car. Is the accident now attributable to any characteristic of the horse for the purposes of section 2(2)?"

The answer to that has to be no. That summarises where we are in relation to that part of section 2.

We must then look at section 2 and its interrelationship with the definition of "dangerous wild animal", which is the point raised by my hon. Friend: what sort of animal comes within section 2(2) and what sort of animal comes within section 2(1)? Again, I turn to the authors of "Winfield and Jolowitz on Tort", who give great assistance here. They say:

> "A dangerous species is defined as: 'a species (a) which is not commonly domesticated in the British Islands and (b) whose fully grown animals normally have such characteristics that they are likely, unless restrained, to cause severe damage or that any damage they may cause is likely to be severe.'"

They give the examples of the elephant, which we talked about earlier, in the Bertram Mills' circus, a lion and certain types of monkey. The problem is that we know an elephant when we see it, but the broad definition is somewhat difficult to follow. I think that everyone remembers the Chipperfield circus case when Dorothy Tutin was put in a camel race and fell off. One of the arguments there was whether the camel was a wild animal within the terms of section 2 of the Animals Act. The conclusion was that it was, even though it was a domesticated camel, perhaps in the same way that the elephant was, and that the circus was strictly liable under the first part of section 2 of that Act. Life would be made a lot easier if the test in the Dangerous Wild Animals Act 1976, which sets out sensibly and clearly what is or is not a dangerous wild animal, was included in section 2.

Stephen Pound: Is not the logic of what my hon. Friend says that the hon. Member for Preseli Pembrokeshire—for the most noble reasons and entirely in line with his duty to represent his constituents—in seeking to limit strict liability may be leading us in completely the opposite direction and there will be pressure from the insurance companies to increase the degree of control and restraint that will have to be exercised by the owners and keepers of animals if strict legal liability is restricted?

Mr. Dismore: I am not sure that I follow my hon. Friend's point, or that anyone else does either, but I think that I understand what he is getting at. There is little doubt, as we saw from the Library briefing for today's debate, that the insurance industry is getting a lot tougher, certainly with those who keep animals for commercial purposes, particularly horse riding establishments, who are expected to conduct proper risk assessments and keep proper records, which is a good thing, and to comply with the licensing regulations rather more effectively than they had been doing. That was referred to in the article by the learned QC whose name escapes me who I referred to earlier.

Mrs. Theresa Villiers (Chipping Barnet) (Con): Has the hon. Gentleman consulted any of the excellent riding schools in his own constituency, in Mill Hill in particular? I fear that they, like riding schools in my constituency, may have experience of the problems with the Animals Act as identified by the Bill.

Mr. Dismore: I am contending for the status quo—nothing more and nothing less. Nobody would lose out on anything as a result of what I am arguing for. However, the victims of people who own animals that cause severe injury would lose out if the situation were different. I argue for maintaining the status quo. Ultimately, I would like to go a lot further, but we will not go down that road, which belongs to an earlier part of the debate. As far as I am concerned, the status quo is a reasonable balance. Riding schools have nothing to fear from my arguments.

Stephen Pound: There are not many riding schools in my constituency. However, if a fox hunt was roaring through a village and the horses were maddened and behaving uncharacteristically because of the excitement of the chase, would not the Bill limit the liability for a claim made by a victim of such an out-of-control hunt? Would it not be a charter for those who cause the damage rather than those who suffer?

Mr. Dismore: That is an interesting point. To gallop is a natural characteristic of a horse. In the situation that my hon. Friend mentions, a claim might well be found in negligence, but certainly not according to the criteria of proposed new section 2B. There might well be liability through different routes if a hunt chased wildly through a residential road and injured somebody, as that would be a negligent thing to do. However, there would not be strict liability, because galloping is natural for horses. We are interested in unnatural characteristics at a particular time. My hon. Friend raises an interesting point, but I am not sure that it would make a difference to the outcome in the end.

Stephen Pound: I am no great expert on the horse, but it cannot be the natural characteristic of a horse to be ridden by a large florid huntsman and to pursue a sentient mammal. Its natural characteristic is to be a gramnivorous quadruped idly cropping the steppes of its native land. Surely the horse is not a hunter by birth.

Mr. Dismore: If it were a wild horse, it would probably come under section 2(1) of the 1971 Act. However, a horse in a hunt is a domestic horse, whose natural characteristic is to gallop. At the risk of being taken down a peculiar byway, I should say that my hon. Friend would find the same outcome; anyone injured in such circumstances would probably be compensated under the law of negligence. Such a case would not be among the small number, referred to earlier, that would come within the criteria of the Mirvahedy decision.

I go back to what would be caught by section 2(1). Applying the Dangerous Wild Animals Act 1976 would be much better; it sets out an interesting schedule of animals considered to be dangerous, ranging from a giant anteater to the aardvark, via elephants, camels and tigers.

Stephen Pound: An aardvark never killed anybody.

Mr. Dismore: That may be true, but it is a dangerous wild animal according to the 1976 Act. I think that its drafters erred on the side of caution; the Act includes reptilian animals and spiders as well as the hippopotamus, the wild boar and the giraffe. I certainly do not think that giraffes are particularly dangerous—not that I have great experience of them. The point is that the 1976 Act would be a far better way of dealing with the issue addressed under section 2(1) of the 1971 Act.

However, we have to see how the 1971 Act has been applied and what difference it would make post-Mirvahedy. The leading case on the issue was presided over by Lord Denning. It concerned a guard dog. The defendant was the occupier of a breaker's yard in the east end. The yard was locked up and the defendant's untrained Alsatian was turned loose to deter intruders. One night, an associate of the defendant, who had access to a key, unlocked the side gate and, accompanied by the plaintiff, who knew about the dog, entered the yard and the dog attacked the plaintiff. Lord Denning uses some wonderful language in his judgment. He stressed that the yard was in the east end of London,

"where persons of the roughest type come and go. It was a scrap-yard, true, but scrap-yards, like building sites, often contain much valuable property. It was deserted at night and at weekends. If there was no protection, thieves would drive up in a lorry and remove the scrap with no one to see them or to stop them. The only reasonable way of protecting the place was to have a guard dog. True it was a fierce dog. But why not? A gentle dog would be no good. The thieves would soon make friends with him. It seems to me that it was very reasonable—or, at any rate, not unreasonable—for the defendant to keep this dog there."

He goes on to find no liability in relation to the plaintiff. He called it, "The case of the barmaid bitten by a big dog."

I believe that such cases would be caught by the Mirvahedy decision, if they had not been caught previously. Lord Denning went on to refer to the Guard Dogs Act 1975, which was new at the time. He made the point that the answer lay in that measure. However, he did so without reflecting on the fact that it does not create civil liability. I cannot remember who mentioned the Guard Dogs Act earlier—certainly someone from the far side. Although that measure is clear about what people should do—guard dogs should not be permitted without a warning sign, the dog has to be under a handler's control or otherwise secured—if that does not happen and the dog gets loose or someone is bitten, no liability arises under it. Liability arises under the Animals Act. That is why section 2 is so important.

There are many cases involving dogs. For example, there is the case of the border collie and the problem of dogs that have a particular propensity to bite people who carry bags. There is also the problem of dogs that are known to attack other dogs adopting people. The most recent case involving a scrap yard owner was of a loose Alsatian, which was not a guard dog. Liability was found because the dog was a stray that had been adopted without being properly examined.

The only case to succeed was Curtis *v.* Betts, which my hon. Friend the Member for Ealing, North mentioned. It concerned a bull mastiff, which bit a 10-year-old child neighbour. The dog was being put in a car, the child came along to pat the dog and the dog went for him. Section 2(2) of the Animals Act is clear and the case succeeded. The court applied section 2(2)(b), which requires the plaintiff to show that

"the likelihood of the damage or of its being severe was due to the characteristics of the animal which are not normally found...except at particular times or in particular circumstances".

The "particular circumstance" in that case was that the dog was guarding its territory, which was taken to be the back of the Land Rover into which it was being loaded. The child was badly injured and the 11 or 12 stone bull mastiff was responsible.

The Dangerous Dogs Act 1991 was mentioned earlier. We know that it is problematic. Again, it does not provide an answer to cases of dog bites. It is a criminal offence to keep a dangerous dog, which is defined in several different ways by reference to breed. We know about pit bulls and the Japanese tosa, but the Act also refers to any dog that appears to have been bred for fighting or that has the characteristics—my hon. Friend the Member for Ealing, North made a point earlier about defining characteristics—of a type bred for that purpose. The problem with the Dangerous Dogs Act is that it, too, fails to provide for civil liability. Therefore, the difficulty is that there is no additional civil liability in those circumstances, other than that provided for by section 2(2) of the 1971 Act.

[Mr. Dismore]

There are also cases involving horses that predated Mirvahedy. The first—Haimes *v.* Watson, in October 1980—had almost exactly the same facts:

"The plaintiff was riding his horse along the near side of a country road...the horse moved across the road and the defendant collided with it broadside."

The question was whether the horse or the rider was responsible. The court came to the conclusion that

"there was no absolute duty on a rider of a horse who rode it properly along the highway to prevent it going out of control"

and that

"the fact that the horse had moved...broadside...called for an explanation",

but

"the explanation...given, ie, that it had shied and that"

the rider

"had temporarily lost control of it, had been adequate to negative any possible inference of negligence that might otherwise have been drawn".

I raise that case, which might have succeeded under the Mirvahedy principle if it had gone to the House of Lords, which it did not—it went only to the Court of Appeal—because if the hon. Member for Preseli Pembrokeshire got his way, it would have been decided the other way. The plaintiff—in fact, the defendant, because there was a counter-claim—would then have recovered compensation. It is perhaps a pity that that case did not go to the House of Lords, because Mr. Haimes lost out as a result.

The other case that is almost on all fours with Mirvahedy is Jaundrill *v.* Gillett, in January 1996. In that case the horses were

"maliciously released on to the road where they panicked and galloped into an oncoming car".

Those are almost exactly the same facts as the Mirvahedy case. The notes continued:

"The horses had escaped from a field where they had been kept by the defendant. It was common ground that some malicious intruder had opened a gate and driven the horses on to the highway."

We do not know how the horses got out in Mirvahedy, but the inference was always that an intruder had spooked them. The conclusion drawn was that there was no liability on the owners of the horse. Again, Jaundrill *v.* Gillett was a Court of Appeal judgment predating Mirvahedy. In those circumstances—this is exactly the sort of case that I am arguing about—the victim of the accident was uncompensated. If that case had been decided under the 1971 Act post-Mirvahedy, however, he would have been compensated.

We come to the Mirvahedy judgment, which is the root cause of all our ills today. The headnote for the case summarises the position pretty clearly—this is why I think the law does not require clarification—saying that the keeper of a non-dangerous animal is

"strictly liable for damage"

or injury

"caused by the animal when the animal's behaviour",

although not normal behaviour for animals of that species, is nevertheless normal behaviour for the species in the circumstances, such as a horse bolting when sufficiently alarmed. Since the actions of the claimant had been caused by the defendants' horses behaving in an unusual way, caused by their panic, they were liable to him.

The leading judgment of Lord Nicholls ended by saying:

"The fact that an animal's behaviour, although not normal behaviour for animals of that species, was nevertheless normal behaviour for the species in the particular circumstances does not take the case outside section 2(2)(b)...Horses are large and heavy animals. But it was not this innate physical characteristic of the defendants' horses which caused the road accident. The horses escaped because they were terrified. They were still not behaving ordinarily when they careered over the main road, crashing into vehicles rather than the other way about."

Lord Nicholls also referred to the Court of Appeal judgment, saying that Lady Justice Hale had

"concluded that it was precisely because they were behaving in this unusual way caused by their panic that the road accident took place...That conclusion, on the evidence, seems to me irrefutable and to be fatal to the case of"

the defendants. That is why he dismissed their appeal.

That law is pretty clear and I do not really understand why the hon. Member for Preseli Pembrokeshire or my hon. Friend the Minister have suggested that it is not. The issue has been tried in a series of cases since, some of which my hon. Friend the Member for Ealing, North referred to in an intervention by citing the Library briefing, and the vast bulk were lost. Galton *v.* Moorcroft, for instance, involved a horse on display at Windsor castle, but failed under the defence under section 5(2) of the 1971 Act—the volenti defence, which was referred to earlier.

In the case of Clark *v.* Bowlt, the claimant's vehicle was slowly passing a horse going in the same direction. The horse jumped about a bit and moved into the road just as the car passed. Nobody could avoid a collision and there were no exceptional characteristics. The accident was a mishap, and Mr. Clark went uncompensated.

We heard earlier about the McKenny *v.* Foster case—the escaped cow case. I think that the hon. Member for Preseli Pembrokeshire said that it went to the Court of Appeal last week. That case, too, failed, so we can rely on the courts to adopt some common sense. In the 2006 Clark *v.* Bowlt case, to which my hon. Friend the Member for Ealing, North, referred in an intervention, the claimant was driving along and minding his own business. He allowed his vehicle to pass a horse being ridden by the defendant on a narrow verge, in the same direction. As he passed the horse, it made an uncontrolled movement into the road and hit the front of the car, and both parties sustained injuries. There was no negligence involved, and it was found that the horse had no unusual characteristic, as was the case in Mirvahedy. It was found that

"a propensity occasionally to move otherwise than as directed could not be described as a characteristic of an animal".

The characteristic was the horse's weight, which was normal, so the requirements of section 2(2)(b) had not been satisfied. That is another post-Mirvahedy case in which the courts came to a sensible conclusion. Personally, I would like the law to be different and include absolute liability in such circumstances, but unfortunately that is not what we are discussing today. I am simply arguing for the status quo, which would at least mean that some cases that have failed would have succeeded.

The Plum *v.* Berry and Berry (T/A Chorley Equestrian Centre) case also involved an experienced rider. Her horse went into a gallop and threw her, and the case failed because of a defence under section 5(2) that she had voluntarily accepted the risk by riding the horse. The final case that I wish to mention relates to a dog.

Stephen Pound: Before my hon. Friend moves from horses to dogs, is there not implicit in his comments a duty of responsibility for the training of the rider? Does that feature in law? He used the expression "an experienced rider". What if the rider were inexperienced and had never ridden a horse on a public road before? Would such a case be applicable?

Mr. Dismore: My hon. Friend gives an interesting set of circumstances. I think that he will find that if an inexperienced rider were put on a horse that was inappropriate for them, there might well be liability for negligence. I am aware of some cases along those lines. It is horses for courses, if I may use that pun.

I am not entirely sure that such a case would turn on section 2(2), because it would involve a normal characteristic of the horse. If the inexperienced rider caused the horse to behave in a way that was not a normal characteristic—I have details somewhere in my pile of documents of a case in which someone was thrown in such circumstances—there would not be a claim under the Animals Act. It would be an example of a normal domesticated horse behaving in a normal way that could have been anticipated, although there might be a negligence claim because the wrong person was put on the wrong horse.

As I said, the other relevant example is a dog case: Gloster *v.* Chief Constable of Greater Manchester. A police officer, who was the claimant, was bitten by a police dog. He was in a police car chasing a stolen vehicle. The driver of the stolen vehicle ran off and the policeman gave chase. The dog handler on the scene had his German shepherd and would have given chase and effected an arrest, but the claimant had not heard the command to remain in his vehicle. Once police dogs are set loose, they will go after the first person they see. Unfortunately, in this case it happened to be the police officer, because the dog handler fell over and the dog slipped its leash and bit the policeman, not the car thief. The conclusion was that there had been no negligence and that it was an accident. Because the dog had been trained to act as it did, it was not its characteristic or natural inclination. The likelihood of the damage being severe was not due to any characteristic but because the dog had, as the defendant put it, "big, sharp teeth." It is characteristic of German shepherd dogs that they are capable of being trained to perform certain acts, but the act of attacking or biting was viewed not as a characteristic in itself, but merely as a manifestation of the dog's characteristic in being able to respond to instruction. In that particular case—another section 2(2) case—the claim failed because of the fact that the behaviour was a normal characteristic of the animal.

The hon. Member for Preseli Pembrokeshire says that many problems have been created, but we see from the cases I have described that, in practice, they have not. All the cases failed because the animals behaved in a normal way, whereas in the Mirvahedy case, the animal behaved in an abnormal way. If the animals behave normally, no problem is caused by Mirvahedy or section 2(2). There may be a claim in respect of negligence, but in the cases I have cited, no negligence was found.

Let me deal now with certain issues related to the explanatory notes, the first of which is the question of strict liability. It is important to reflect on the fact that strict liability is not a novel concept in the law—I am not going to go through it in detail, as we explored it in earlier interventions—as the Occupiers' Liability Act 1957, the Consumer Protection Act 1987 and all the Factory Acts through history are quite happy to impose strict liability.

At the risk of straying across the channel, the French civil code imposes strict liability on animal owners, who are responsible, pure and simple, for the damage caused by their animals. I am not going to read out the French, as that might be out of order, Mr. Deputy Speaker, but I have here the text of the code if anyone wishes to check that my translation is correct. The fact remains that when it comes to strict liability, there is nothing novel in Europe either.

I would like to deal now with the impact assessments of the Bill. I say that I would like to, but the problem is that the impact assessment is somewhat difficult to find. The explanatory notes state:

"An Impact Assessment has been published alongside the Bill",

and we are told that it can be found at www.defra.gov.uk. Unfortunately, that is a rather optimistic assertion. I have had the Library try to find it, but I received a letter this morning telling me:

"Although para. 15 of the attached Explanatory Notes to this Bill refers to and paraphrases the Impact Assessment, I and my colleagues have not yet been able to trace a copy of the document. I have contacted the office of the DEFRA Parliamentary Clerk who was not able to immediately trace a copy."

A number of other office numbers to contact were then mentioned.

The problem is that if we are expected to debate a Bill, we should be able to scrutinise the impact assessment relating to it. I suggest, Mr. Deputy Speaker, that it will be very difficult to do so if the impact assessment cannot be found. That problem needs to be addressed because when I had a go at finding the Minister's website, I could not find it. The particular website referred to in the explanatory notes has hundreds of impact assessments, so it may be lost in a herd and cannot be found. The Library has been working for me, but it cannot find it, and even the parliamentary Clerk cannot find it. That does make it rather difficult to scrutinise this particular Bill. The impact assessment is, however, summarised in the explanatory notes. I am sure that it is summarised accurately; I have no reason to think otherwise, though I would have liked to have had the opportunity—

Mr. Deputy Speaker: Order. I think that it is right to note that quite serious deficiency, but we can only congratulate the hon. Member on the supreme way in which he has managed to overcome the handicap.

Mr. Dismore: Thank you, Mr. Deputy Speaker. I have not overcome the handicap, but I will try to work from the explanatory notes, which summarise the impact assessment—accurately, I hope. The summary goes on to say that

"there will be no significant impact on charities and the voluntary sector"—

that is probably clear—and then that the Bill

"may result in fewer court cases",

but I suspect that that is not the case. I think that it will result in more court cases. If we have to fall back on the law of negligence as opposed to the law of strict liability, it will inevitably become a matter of contention in the law of negligence whether a particular act or omission is a breach of duty—or indeed where precisely a breach of duty lies—and that will increasingly become an issue for the lawyers. Given that the law of strict liability is clearer, it is likely to lead to quicker and easier settlements of cases.

We are then told in the impact assessment that there might be reduced insurance premiums:

"Insurance companies will be able to balance any loss in terms of lower premiums with the reduced cost of payments needed to settle cases brought under the clarified Act."

The hon. Member for Preseli Pembrokeshire has already conceded that we are talking about a handful of cases and we have already explored the question of reduced insurance premiums. I think that they will not be reduced, for the reasons we debated earlier. I shall not repeat that debate because, of course, that would be out of order, but I would very much have liked to see the impact assessment, as it would have enabled me to see the basis of the argument that insurance premiums would be reduced. It is counter-intuitive that that would be the case; I think it is wrong. Unfortunately, I am not able to test the argument as we do not have the impact assessment before us.

Stephen Pound: I am following my hon. Friend's analysis. Is he not leading us in the direction that many of us in the House are already taking? We have great sympathy with the Bill, but a radical amendment of the 1971 Act might simply not be possible within the confines of a private Member's Bill. Should Government time be given to examine the issue, perhaps outside the limited ambit of a private Member's Bill?

Mr. Dismore: My hon. Friend is right, and I briefly hinted at that point earlier. There really is a problem here. The hon. Member for Preseli Pembrokeshire has cherry-picked a small part of the 1971 Act, and we should bear it in mind that the gestation of the issue goes back to the Goddard inquiry of the 1950s, the Law Commission report of the 1960s and the Act itself. People have a different attitude to, on the one hand, what they should and should not be compensated for, and, on the other, the care of animals. The Bill raises a series of other issues, not just the question of liability for accidents caused by animals; it deals with all sorts of other stuff.

It would be far more sensible for the Government to go away and think about root-and-branch reform, and perhaps even consolidation of all the different measures relating to animals. As we have seen today, during the brief discourse that I have been able to undertake, several pieces of legislation interact and potentially conflict—for example, in relation to the definition of a "wild animal" in the legislation that deals with the licensing of the keeping of wild animals, and the definition of "wild animal" in the 1971 Act. Surely it would make a lot more sense to have a consolidated definition across the board, either the generic definition in the 1971 Act or the list set out in the legislation dealing with the licensing regime.

Stephen Pound: Is it my hon. Friend's understanding that the Government wish to revisit this area? In autumn 2006—less than two years ago—the Department conducted what was admittedly an informal consultation on the meaning of the 1971 Act. Do the Government recognise that there are difficulties here and are they acting, if perhaps not quite as quickly as the hon. Member for Preseli Pembrokeshire would wish?

Mr. Dismore: My hon. Friend raises an interesting question, and I am not quite sure that I know the answer to it. I think that the Government were considering the issues relating to section 2 of the 1971 Act, but I am not sure that they were looking at the wider implications.

It would be sensible to consider a consolidating measure to bring together all the different definitions and arguments in one place and under one set of principles. I hope that that would also provide an opportunity to clarify the law in relation to insurance. As I have said, we must consider the issue of compulsory insurance in relation to both wild animals and riding establishments. However, there is no compulsory insurance for other animals.

I am not saying that it would be a good idea for everybody who owns a cat to have compulsory insurance, although I suppose it depends on how big the cat is.

Stephen Pound: A lion is a cat.

Mr. Dismore: As my hon. Friend says, a lion is a cat. If he looks at the Dangerous Wild Animals Act 1976, he will see that "lion" appears in one category, but that the domestic cat is excepted from the rules. He has raised an interesting point and there is an argument for bringing some of those definitions together.

The impact assessment goes on to say that

"there may be an impact on some individuals injured in accidents involving animals where strict liability does not apply following the Bill...Some of these cases may be addressed by negligence and some of them will not. The impact will be felt more acutely in cases where negligence cannot be established. Such cases are thought to be relatively rare and their outcome...uncertain under the current legislation."

If those cases are rare, why must we start messing around with the law in this way to exclude such people? Such people may have been killed, and their families bereaved and left without a breadwinner. In the Mirvahedy case, someone suffered severe injuries. In some of the dog cases, children have had their faces bitten off. We are talking about children going to the countryside, minding their own business on a Sunday afternoon out, and getting trampled by a horse. Those are real people, and to say that there "may be an impact" on them is a wild understatement. A serious

personal injury is a life-changing event—indeed, a fatal accident completely changes a person's life, because it comes to an end. To say, in that bland way, that there "may be an impact", is a gross understatement and, in my view, shows gross disrespect to the victims.

However, one aspect of the impact assessment appears to be entirely missing. There are only two paragraphs—one dealing with insurance, and the other with the point about people losing compensation—and the impact on the public purse is not dealt with. If people who are severely injured go uncompensated, they will inevitably fall back on the resources of the state. If they are severely hurt and require hospitalisation, they will fall back on the NHS. When they come out of hospital, they may need long-term care. If their case succeeds, the long-term care will be paid for by the insurance industry; if it fails, it will be paid for by the taxpayer through social services. The person might require adaptations to their home that they will not be able to afford through social services, but that they would be able to afford through an insurance claim. Their quality of life will be much reduced because they will be dependent on the state and what the state is prepared and able to provide, compared with what they would be entitled to—to put them in the same position, as far as compensation can do that—if they were able to succeed in their law cases.

A whole section is missing from the impact assessment, on a matter of fundamental importance. I wanted to scrutinise that document so that I could satisfy myself as to whether the issue had been considered and discounted, or simply had not been thought of in the first place. If it had not been thought of in the first place, DEFRA is in its compartmentalised chimney, and is not looking at the wider implications for social services, local government and the Department for Work and Pensions budget when benefits must be paid to support the victim. That would be a serious error and omission in the regulatory impact assessment.

Arguments were advanced earlier that this was all about the compensation culture. I want to answer those points briefly, because the issue has been raised before in Friday morning debates on various aspects of compensation. Everyone talks about the compensation culture, but although that might be the perception, the reality is different. The most recent figures were published in the *Health and Safety Bulletin* in January-February this year—hot off the press. Research by the university of Warwick—an excellent university if I may say so, as it is my alma mater—found that

"the number of personal injury cases heard by the High Court and county courts declined by 42 per cent. between 1999 and 2003"

and that

"the number of personal injury actions in the Queen's Bench Division...fell from 1,187 cases in 1999 to 570 in 2003—a fall of 52 per cent. The same period saw a 38 per cent. decline in county court claims, from 3,580 to 2,210. The findings follow earlier research that identified a 5.3 per cent. fall in accident claims between 2000 and 2005".

Those figures, the research goes on to say,

"are further evidence that the UK's alleged 'compensation culture' is a myth."

Stephen Pound: I am sure that the whole House is grateful for that information, which will come as a considerable surprise to the leader writers of the *Daily Mail*.

Does my hon. Friend think that the reason why the specialist legal practitioners who responded to the DEFRA consultation that took place 18 months ago concluded that Mirvahedy v. Henley created a satisfactory situation is relevant to the point that he has just made?

Mr. Dismore: I do not think that it is, given that Mirvahedy may be responsible for only a handful of cases. In fact, as far as we are aware there have not been any other cases. Mirvahedy is the one and only case that has been reported. I think that if there had been more cases based on the same principle and involving horses, we would know of them from the newspaper columns or, indeed, the researches of the hon. Member for Preseli Pembrokeshire. I believe that such occurrences are very rare indeed. It may well be that Mirvahedy is a one-off—an unusual case that has led to extensive discussion and debate.

Mr. Roger Williams: That may be so, but might not a number of cases have been settled as a result of Mirvahedy that would have gone to court if that case had not been heard and if that ruling had not been made?

Mr. Dismore: The hon. Gentleman makes a fair point, and he may well be right. Obviously it is far better for cases to be settled than fought, but serious cases will tend at least to be litigated, even if no judgment follows. The figures that I gave earlier showing a decline in the number of High Court cases across the board are symptomatic. If what he suggests were correct, the insurance industry would have produced very detailed briefings for today's debate, which would presumably have contained a lengthy list of all the cases that had been settled that it considered to be unfair on the basis of the Mirvahedy principle. The dog that did not bark—an apt way of putting it, in the context of the Animals Act—is the insurance industry, which has produced no evidence of actual post-Mirvahedy cases that it considers to be unfair, as opposed to general speculation that there might be a few of them of which we have not heard. The insurance industry is very good at carrying out research, and when debates such as this have taken place in the past it has always brought chapter and verse to the table. It has not done so today, and I think it extremely unlikely that we will see any evidence of those cases.

Paragraph 17 of the explanatory notes, headed "European convention on human rights", states:

"The Bill amends existing legislation to clarify the circumstances in which strict liability can apply to the owners of animals that cause harm or damage. Nothing in the Bill directly affects the rights or obligations of any person in such a way as to engage their Convention rights."

The Joint Committee on Human Rights would have an awful lot to say about that bald assertion. In our annual report this year, we produced a coruscating paragraph in which we pointed out that far too many Departments make such bald assertions of compliance without analysing the facts. An assertion does not constitute justification for a statement of compliance with the Human Rights Act 1998, and I cannot take this assertion as a proper certificate for those purposes.

We need only refer to the Human Rights Act to see that human rights principles may well be engaged. For a start, there is the right to life—the most important of human rights—which is enshrined in article 2 of the

[Mr. Dismore]

convention. It is fundamental in this context. The state has a positive duty to protect the right to life, and the weakening of civil liability will work against that positive duty. There is also the right to protection of private property, which may also be engaged. The Bill deals with not just personal injury but property damage, and that principle too could be engaged. The same applies to the right to protection of private and family life, which is laid down in article 8. So I am certainly not convinced that the Bill is compliant with the Human Rights Act and the convention.

The Bill's promoter says that the intention is to return to the common law of negligence. I do not think that the Bill does that. It offers one sensible amendment in relation to damage by substituting for section 2(2)(b) of the 1971 Act provision that

"the damage was due to an unusual or conditional characteristic of the animal".

That is a helpful clarification. However, its changes to paragraph (c) are unhelpful, and the remainder of the Bill does not achieve the objectives sought.

The explanatory notes state:

"The intention is to allow the courts to distinguish between a continuing, generalised risk that the keeper knows may occur at some time (e.g. a horse may shy at a plastic bag if one blows in the wind near it) but does not know when it may occur, and a heightened, specific risk over a specific period of time that the keeper knows will increase the possibility of the animal displaying dangerous behaviour during that period (e.g. a cow with calves, or a horse in a field next to a shoot)."

That is not a return to the original common law, as we have learned from references to previous cases. Let us look at the definition of unusual characteristics in the commentary in the explanatory notes:

"Unusual characteristics are defined as those that are not shared by the species generally, while conditional characteristics are defined as those that are shared generally by the species, but only in particular circumstances".

The hon. Gentleman has rightly drawn attention to the two different limbs of his new definition: the unusual characteristics and the conditional characteristics. However, I do not think that that would add a great deal in the scheme of things. We are dealing with a small number of cases, and I think we should leave well alone.

There are other complications. I am unsure whether the hon. Gentleman intends to include the same definition of knowledge as that in section 2. I am sure he will want to reply to the debate, and perhaps when he does so he will clarify the position in relation to constructive knowledge and say whether the same test would continue to apply.

There is also an issue in relation to the limitation period. The normal limitation period for personal injury claims is three years, but a 2002 case—Clarke *v.* Barber—changed the principles in relation to limitation, and that is important in terms of liability under the Animals Act. In that case, the top of the claimant's index finger was bitten off by a dog, but the claim was brought three years and nine months after the incident. The limitation period was thought to be three years, under section 11 of the Limitation Act 1980, so, unfortunately, the case fell outside its provisions. However, the court came to the conclusion that a special six-year limitation period would apply because of the particular requirements of strict liability under the 1971 Act. The court concluded:

"The cause of action under the 1971 Act was one of strict liability".

That is the section 2(2) point. It went on to say that

"therefore once a claimant had established the three requirements under s.2(2) of the 1971 Act relating to non dangerous species"

—in this case a dog, but it could have been a horse—

"then liability followed. The 1971 Act did not impose a duty of restraint or duty to take reasonable care and therefore could not be interpreted as a claim for breach of duty. Therefore a six year limitation period applied."

If the hon. Gentleman is going to start messing around with section 2(2), perhaps he will tell us what the implications would be for the limitation period under that section. What will be the implications for the six-year limitation period relating to strict liability if he gets his way and removes that strict liability under section 2(2)(b)?

Stephen Pound: Before my hon. Friend moves off that point, may I say that I do not think that anyone would accuse the hon. Member for Preseli Pembrokeshire of trying to mess around in the Bill? He is acting from the noblest of motives. We talk about inherent characteristics, but our problem is that, as in the case of the Burmese elephant and the then entitled "midget", this is about the strength of the animal and its ability rather than its characteristics. A famous sign in the Paris zoo translates into English as, "This animal is very bad. When it is attacked, it defends itself." Surely every single animal has within it the ability or characteristic in certain circumstances to act in a way that would define it as dangerous.

Mr. Dismore: My hon. Friend is right; that is why the law makes the distinctions between wild animals and domesticated animals and between normal characteristics, abnormal characteristics and characteristics that appear in certain circumstances or at a certain time, such as when a dog is with its pups. However, that does not deal with my point, which is about the Limitation Act 1980.

If the consequence of the Bill would be to halve the limitation period, that would be significant. I do not know whether the hon. Member for Preseli Pembrokeshire has considered the consequences of the limitation period. Has he thought through whether, because he is removing strict liability, the limitation period would be reduced to three years from six years? That is a significant omission from the introduction to the Bill, because it would significantly affect people's rights. The matter is fundamentally important.

The Bill contains no commencement clause. I am not sure whether that is an omission or whether it was done deliberately. I am not sure whether the hon. Gentleman wants to fall back on the simple, normal commencement arrangements or whether he feels that it would be more appropriate for commencement to be set out in the Bill, so that people are aware of when it will come into force and of how to organise their arrangements around that. Let us consider the case of insurance. If people know when the legislation will change, thus in the unlikely event that insurance policies and premiums changed, that would enable people to know from when they

should start negotiating their lower premiums. As I have said, I am sceptical of his argument on insurance, but if we knew that the Bill's provisions were going to come into force in six months' time, people would know when the cut-off period would be when they came to renew their insurance policy. That would greatly benefit people in trying to negotiate insurance arrangements.

I have examined the Bill in some detail. There are significant problems with it. There is a significant gap in the way in which the hon. Member for Preseli Pembrokeshire approaches the matter and our opinions differ significantly. I want to preserve the status quo. He wants to reduce the rights of victims of accidents, but I do not. I think that people who have been injured are entitled to compensation, and I hope that he will reflect on my comments.

2.13 pm

Stephen Pound (Ealing, North) (Lab): It has been enlightening for me to hear today's comments—I am not merely referring to the journey that has taken us back to Exodus and the sound principle that if an ox misbehaves, it should be stoned to death, as should its owner.

I should like to place on record my respect for the hon. Member for Preseli Pembrokeshire (Mr. Crabb). He is doing the right thing, but possibly in the wrong way. He has identified a cause that is of wide concern, not only in this House, but outside the Chamber and throughout the country. That concern is reflected in the, admittedly, informal consultation that took place under the auspices of the Minister who was responsible for the horse industry at the time, my hon. Friend the Member for Brent, North (Barry Gardiner).

I was impressed to note that in the henotic spirit that so often informs the hon. Member for Preseli Pembrokeshire, his supporters included not only a group of MPs predominantly representing rural areas, but my hon. Friend the Member for Brent, North. When I looked at the list of the Bill's supporters, my initial concern was whether this was yet another rural and urban divide and whether this issue was of great concern to the rural community but of less concern to the urban community. As an urban MP, I was pleased to note that my hon. Friends the Members for Vauxhall (Kate Hoey) and for Brent, North were among the sponsors of the Bill.

Were anyone to think that this was entirely a rural issue and urban Members should not speak to it, they need simply accompany me on my diurnal journey to this place. It is my pleasure to pass along the Bayswater road, and as I draw adjacent to Rotten row, the road is often crossed by many people riding horses, as apparently some stables are tucked away there, not a million miles from the new residence of the former Prime Minister, Mr. Tony Blair. As the horses cross the road, I frequently concern myself with a possible interaction between them and my motorbike or car, whichever I happen to be using on the day.

I have given some thought to the issues that the Bill raises, and my difficulty is that the hon. Member for Preseli Pembrokeshire proposes to limit the liability expressed in the Animals Act 1971. If he proposes to limit liability, he must do so with a purpose. By limiting liability in one area, he will increase liability in another. If the liability that is legally incumbent on the owner or the keeper of the animal is limited, it is diluted from the perspective of a victim of that animal. We then enter this extraordinarily difficult area.

Any person with any element of common sense would want a system in which if a person is not a good and careful animal keeper, they—and not the innocent animal—should be liable for the actions of that creature. Over and over again, we see examples of animals that exist in a state of natural nobility being turned, twisted, perverted or shaped in a way to suit a human design. It is people who act thus whom we seek to punish. We do not seek to penalise the animal, as the case law so exhaustively delineated by my hon. Friend the Member for Hendon (Mr. Dismore) shows. It is not the characteristics of the animal that are of concern, but the strict legal point about whether it is reasonable for that animal to react in a certain way, whether because of provocation from persons of restricted growth in circuses, because a paper bag blew across a field, or because it is giving birth or protecting its young.

My instinct is to support the hon. Member for Preseli Pembrokeshire, because his Bill is a response to a widespread concern, but I also feel that he is not approaching it in entirely the right way. It is the issue of the ownership or keeping of the animal that cannot be addressed within the scope of his admirably brief Bill. If the Animals Act 1971 were to be amended in this way, the people to gain from it would be the personal injury lawyers. I understand that my hon. Friend the Member for Hendon is a distinguished member of that profession, and I would never dare to criticise it. I am sure that personal injury lawyers have their purpose, and one day I will discern what that purpose actually is. They are the people who would have to tidy up the mess.

Justine Greening: I think that I can help the hon. Gentleman on the question of the purpose. The purpose today was to prevent Ministers from being held accountable on Heathrow and the environmental impact of airports.

Stephen Pound: I am, as always, grateful for the hon. Lady's intervention, but I have searched the Bill, the explanatory notes and the Library notes, and I cannot see anything about Heathrow airport—

Mr. Dismore: An aspersion has been cast from the other side of the House, but my hon. Friend will know from our discussions that I have grave reservations of principle about this Bill, and it was entirely appropriate that I should put those reservations before the House today. I would not wish to retract anything that I said. I fundamentally oppose the Bill and I wished to ensure that the House had the benefit of my arguments against it. It had nothing to do with anything that might come afterwards: when I first saw the Bill, I did not even know what would follow it.

Stephen Pound: I thank my hon. Friend. I understand where the hon. Lady is coming from, but every single one of us must accept that we cannot pick and choose; it is an absolute incumbent duty on us as MPs to scrutinise the legislation that comes before us.

[Stephen Pound]

If that is not our prime purpose today, what is? Surely legislation is the business of this House, and it is the business of Members of this House to scrutinise that legislation.

Justine Greening: Will the hon. Gentleman give way?

Stephen Pound: Before I give way, I hope that it is not necessary to remind the House that the case of McKenny *v.* Foster would be affected if the Bill were to come into law. That case concerned a person who died. It is that important.

Mr. Deputy Speaker: Order. I do not want a debate on procedure to erupt at this point. We are still dealing with the Bill. If I have anticipated what the hon. Lady might have wished to say, it is perhaps better that it is not said and that we proceed with the Bill.

Stephen Pound: It would be a foolish man or woman, Mr. Deputy Speaker, who ever attempted to qualify or interpret your comments. Your word is law: you speak ex cathedra—we know that. However, I felt that it was appropriate to respond to the hon. Lady, even though I would not have made the point myself.

The principle I apply when scrutinising the Bill is to ask who gains and who loses. I can see that there is a gain to the owners and keepers of animals. Limiting strict liability in those cases makes life slightly easier. That is not the main purpose of the Bill, however. As the hon. Member for Preseli Pembrokeshire has graphically expressed, the purpose of the Bill is to tidy up an area that is unclear. Of the just under 30 respondents to the autumn 2006 consultation from DEFRA, only the Ramblers Association initially objected to some revisiting of the legislation. In fact, after consultation, the Ramblers Association changed its view and said that it would support the principles of the Bill. The only people who remained utterly wedded to the original Bill were—I hesitate to say it—personal injury lawyers. However, my concern is that when we have a series of legal cases, a series of judgments, a series of many cases—

Mr. Dismore *rose in his place and claimed to move,* That the Question be now put.

Question, That the Question be now put, *put and agreed to.*

Question put accordingly, That the Bill be now read a Second time.

The House divided: Ayes 26, Noes 1.

Division No. 124] **[2.22 pm**

AYES

Baron, Mr. John
Blackman, Liz
Blizzard, Mr. Bob
Bottomley, Peter
Brown, Lyn
Clifton-Brown, Mr. Geoffrey
Crabb, Mr. Stephen
Dhanda, Mr. Parmjit
Farron, Tim
Fitzpatrick, Jim
Goodman, Helen
Greening, Justine
Grieve, Mr. Dominic
Harper, Mr. Mark
Harris, Dr. Evan
Hill, rh Keith
Hillier, Meg
Hoey, Kate
Hollobone, Mr. Philip
Khan, Mr. Sadiq
McCabe, Steve
Plaskitt, Mr. James
Robathan, Mr. Andrew
Ruddock, Joan
Shaw, Jonathan
Villiers, Mrs. Theresa

Tellers for the Ayes:
Mr. Roger Williams and
Mr. Brooks Newmark

NOES

Turner, Dr. Desmond

Tellers for the Noes:
John Robertson and
Stephen Pound

It appearing on the report of the Division that 40 Members were not present, MR. DEPUTY SPEAKER *declared that the Question was not decided, and the business under consideration stood over until the next sitting of the House.*

Remaining Private Members' Bills

ENVIRONMENTAL PROTECTION (AIRPORTS) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday16 May.

DISQUALIFICATION FROM PARLIAMENT (TAXATION STATUS) BILL

Order read for resuming adjourned debate on Question [25 January], That the Bill be now read a Second time.

Hon. Members: Object.

Debate to be resumed on Friday 16 May.

EMPLOYMENT RETENTION BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 25 April.

Cyprus (Justice)

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Blizzard.]*

2.34 pm

Mr. Brooks Newmark (Braintree) (Con): It has become a parliamentary convention for Members to say that they are delighted to have secured an Adjournment debate, but that is not quite true in this case because the circumstances that have led to my securing this debate are of such concern to me, my constituents Luke Atkinson and Michael Binnington, their families and their legal representatives.

What has become a tragedy for all involved began as a simple family holiday to Cyprus in August 2006. I want to give a brief account of what happened according to the human rights organisation Fair Trials International, which has been working closely with Luke and Michael. On their first night in Cyprus, Luke and Michael went to a local nightclub with six other members of their family. Unfortunately, a fight broke out after a local man was accused of touching a girl who was part of their group. One of the boys subsequently sustained a head injury and went to a clinic to get medical attention. Some local boys on mopeds followed them in a threatening manner, with coshes; they alluded to having a knife.

Luke and Michael's uncle, Julian Harrington, who had been asleep, was called and drove to the scene in his hire car. First, he went to the club and picked up Michael and Luke before heading to the clinic. At some point thereafter, Julian encountered two boys on a moped driving towards his car the wrong way down a one-way street. Neither of the boys was wearing a helmet. The car clipped the moped; that resulted in the rider falling off and hitting his head on a pole. Tragically, his passenger, who also fell off, later died from head injuries.

Julian was charged with manslaughter and grievous bodily harm on the basis that he had deliberately driven into the moped three times. Even the survivor of the incident said that the car bumped into the moped just once. Although Luke and Michael had been only passengers in the car, all three men were deemed to have formed a common purpose in wishing to harm the two victims and were charged with exactly the same offences. I will return to the idea of common purpose and to the decision to press charges against each of the three men, but first I want to finish the background.

Mr. Harrington was advised that if he pleaded guilty, he would receive a sentence of between six and 10 years' imprisonment. According to his lawyer in Cyprus, the trial judge gave an indication that Julian should change his plea and that the prosecution should consider its case against Michael and Luke. Julian was given very little time to reach a decision and was understandably confused by the trial process in a foreign country. The circumstances are murky, to say the least. Nevertheless, he decided to plead guilty to avoid a sentence in excess of 20 years, and also to save his nephews and their wider family from any more uncertainty and potential misery.

Mr. Harrington received a very severe sentence of 15 years—far in excess of that usually given to Cypriot nationals found guilty of such offences. The consequences for Luke and Michael were initially more positive. Although they had to stand trial and were subjected to a fierce media frenzy, open abuse and threats in court, they were duly acquitted by the three judges of the assize court and returned to England to get on with their lives.

This debate has arisen because of the prosecution's subsequent decision to appeal against the acquittals to appease public expectation of a conviction. No new or additional evidence was presented by the prosecution, but on 29 January 2008, the supreme court of Cyprus held that the assize court had not given proper weight to the evidence and declared Luke and Michael guilty of manslaughter and GBH. The two boys were due to be sentenced yesterday, but at the last minute the hearing was suspended until 4 April. Needless to say, they are determined not to return to Cyprus to serve any sentence and have vowed to fight the inevitable extradition proceedings from the Cypriot Government.

I hope that I can prevail upon the Under-Secretary to do one of two things. The first and most important is to intervene directly with the Cypriot Government to fend off the initiation of extradition proceedings and to encourage a full review of the case and its handling. The second is to appeal to the Home Secretary to resist the extradition application if and when it is made.

Two key issues strike me as having a bearing on the case. The first is the right to a fair trial. There should be no doubt about the inflammatory effect of the case on public opinion in Cyprus. It was, indeed, a tragedy for the victims, their families and the local community—I do not seek to diminish that. However, there has clearly been an incentive for the Republic to achieve the maximum retributive justice and claim credit for doing that.

The unusual length of the sentence that was handed down is indicative of the public—perhaps even political—pressure that has been brought to bear on the court in this case. All three defendants, but especially Luke and Michael, were tried in the press as much as in court.

I had been led to believe that the legal system in the Republic of Cyprus is very similar to our own. Indeed, the Republic's legal tradition stems in part from residual English statute law and the court must have regard to both common law and equity. Nevertheless, the more I look at the case, the more fundamental the difference between the administration of justice in the UK and that in Cyprus appears to be.

When the assize court found the two men innocent, the prosecution appealed against the decision so that the desired result could be achieved. However, rather than hold a retrial, the supreme court substituted its own verdict. Luke and Michael were convicted by three judges who had never heard the evidence against them in open court. The decision to substitute a verdict instead of ordering a retrial is extremely unusual in most jurisdictions. Indeed, I have been told that it is without precedent in most banana republics, let alone established western democracies. If the Under-Secretary knows of other examples, I should be grateful if she would place them on the record in her reply.

By way of comparison, I want to consider the circumstances that would prevail if a similar case occurred in this country. Since the Criminal Justice Act 2003—and, indeed, before that in certain rare circumstances—British

[Mr. Brooks Newmark]

prosecutors have been able to appeal against acquittals. However, such an appeal can be ordered only with permission from the Director of Public Prosecutions if there is new and compelling evidence and if it is in the public interest. In other words, there are rigorous checks and balances. Even in the event of a successful appeal by the prosecution, the outcome for the accused is a full retrial.

An alternative regime, under section 36 of the Criminal Justice Act 1972, allows the Attorney-General to refer a point of law, which arises out of a trial on indictment that resulted in an acquittal, to the Court of Appeal. Such a referral clarifies the legal issues at stake but, crucially, without affecting the acquittal of the defendant. Those two approaches of English law have in mind the paramount need to do justice to the defendant, regardless of the desirability to the state of securing convictions.

The case that we are considering is especially worrying because, although the Cypriot supreme court has the power to

"uphold, vary, set aside or order the retrial of a case as it may think fit",

it substituted its own verdict instead of ordering a retrial. If the supreme court had serious doubts about the safety of Michael and Luke's acquittal, it behoved it, in the interests of justice, to order a retrial and not simply overrule the assize court.

When I met the acting high commissioner of Cyprus yesterday, he was firmly of the opinion that the decision to overturn the acquittal was purely and simply a judicial decision of the supreme court. However, the appeal of the original acquittal was not initiated by the court; rather, it was initiated by the state. We are therefore entitled to ask how far the decision was political and how far it may have been influenced by the oxygen of publicity and the tinderbox of public opinion.

Until about 10 years ago, the Cypriot Attorney-General did not have a right to appeal against an acquittal by the assize court, but since then I understand that about 60 per cent. of acquittals have been appealed. The constitution of Cyprus includes the relevant provisions of the European convention on human rights and fundamental freedoms, which Cyprus has adopted and which includes the right to a public and fair trial. It is the belief of many of those involved in the case that the trial that all three men received was far too public and not fair enough.

Article 6 of the European convention on human rights guarantees the right to trial by an impartial tribunal within a reasonable time. Yet months after being acquitted, Luke and Michael may face extradition to Cyprus as a result of a prosecution appeal whose major motivation appears to have been public opinion. The two men are also placed in an invidious position by the fact that Cyprus has a two-tier legal system, which gives them no further recourse to appeal their conviction or sentence after such an arbitrary ruling by the supreme court.

My final concern about the conduct of the trial is about the way that Julian Harrington's entry of a guilty plea was handled. I am grateful to the acting high commissioner of the Republic for clarifying that although there is no formal mechanism of plea bargaining in Cyprus, a timely guilty plea can be accepted in mitigation. However, for better or worse, Mr. Harrington believed that he had some incentive to give up years of his life—he thought that he was getting something in return. Indeed, he got far more than he bargained for, and so did his nephews.

The question that must be asked, and answered, is: what reasons could Julian Harrington possibly have had to fall on his sword to no purpose, unless he had been led to believe something—or rather, misled—by the Cypriot authorities as to the likely consequences of his guilty plea? In other words, it would seem that there was some sort of plea bargaining or informal understanding. That fact alone should justify pressure from Her Majesty's Government for a full review of the case by the Cypriot authorities and, in the interim, the refusal of any extradition proceedings that may be brought in due course in respect of Luke and Michael.

My second strand of argument is an attempt to address the substantive issue of law at the heart of the case—the concept of "common purpose"—in so far as I am able to do so without being an English lawyer, let alone a Cypriot one. I have had the opportunity of seeing the supreme court's judgment, some of which makes disquieting reading. The judgment quotes from Michael's statement in the following unequivocal terms:

"I am innocent. When I got in the car, driven by Julian, it did not enter my mind there and then that there was anything wrong going on. I didn't know where he was going and I was very drunk. I never intended to hurt anybody and I was in no position to do anything or to prevent anything from happening."

Luke's statement reads along similar lines, but the judgment comments only that

"The Assize Court did not attach any weight to these unsworn statements, which it considered totally unconvincing."

Both Michael and Luke maintain that they were never given the opportunity to make a statement under oath and that they would have been happy to do so.

Even more worryingly, there is a claim that Luke's testimony had mentioned Julian Harrington's exhortation —"Let's get them!"—when the boys got in the car. Luke denies that that was part of his testimony. The legal basis for prosecuting Michael and Luke, as well as Julian Harrington, was that the three had cooked up a plan for revenge and had all agreed upon it.

In that context, the words "Let's get them!" have chilling connotations and call to mind the case of Derek Bentley. That case is remembered up and down the country for Bentley's shout of "Let him have it, Chris!" to his accomplice, who subsequently shot and killed a policeman. It is remembered also as one of the most famous miscarriages of justice, and one that was rectified by a posthumous pardon for Bentley after 45 years.

The similarity of that case to the prosecution's claim in the present case, that the words "Let's get them!" amounted to a plan of a joint criminal enterprise, is striking. Nevertheless, the assize court found that there was no common purpose or joint enterprise between the three boys to kill or injure the victims or anybody else. The supreme court disagreed, suggesting that the assize court had erred in law. Indeed, the only argument that I have heard in favour of the boys'

conviction without a retrial is that the appeal concerned only a point of law. I do not believe that reasoning to be robust.

What the supreme court really meant by an appeal on a point of law was that it placed a different interpretation on the facts. Even the prosecution admitted when making its case that the evidence against the boys was "circumstantial". Instead of examining each event in isolation, as the assize court had done, the supreme court drew its conclusions from the entire sequence of events that transpired that night, and it inferred that there had been a common purpose. However, if the supreme court believed that the assize court had misdirected itself on a point of law, it should have ordered a retrial so that a new court could be properly directed as to the law and hear the facts.

It is crucial to establish both the facts and the sequence of events, and there are manifest difficulties in doing so. Whether we consider the abundance of unsworn statements; the repeatedly changed testimony from witnesses who saw the events unfold at some distance and, I hasten to add, in the dark; the inaccuracies and additions to testimony; or the plain confusion about the sequence of events, the facts are about as clear as mud.

Luke and Michael were arguably too drunk to have formed any common purpose, malicious or otherwise, and in any event were unable to get out of a moving vehicle. There does not appear to be any clear justification for the expedient of throwing out an acquittal and substituting a guilty verdict. The fact remains that the supreme court overruled the assize court and inferred the existence of a common purpose without itself having heard a shred of evidence. That is deeply worrying.

I shall draw my remarks to a close by thanking the acting high commissioner of Cyprus to the UK, Mr. Dimitris Hatziargyrou, for agreeing to meet me to discuss the case. As a diplomat responsible to the Executive of a state that believes in the full separation of powers, he was in a difficult situation, but he acquitted himself with both great courtesy and professionalism. I should also like to thank Saima Hirji from Fair Trials International and Karen Todner, Luke and Michael's English solicitor, for their invaluable assistance. Finally, I ask the Minister to do all that she can to secure a just outcome for Michael and Luke.

2.53 pm

The Parliamentary Under-Secretary of State for the Home Department (Meg Hillier): I congratulate the hon. Member for Braintree (Mr. Newmark) on securing the debate and on representing his constituents with such rigour. I have had some contact with Richard Howitt MEP, who has been representing the interests of Julian Harrington, including by raising the matter with the Attorney-General of Cyprus and by meeting the acting Cypriot high commissioner and a delegation of the families. It would be fair to say that at all levels of democratic representation, the individuals involved have had good support from their elected representatives.

I welcome the opportunity briefly to emphasise the role that our consular staff in Cyprus and London have played in following the cases of Mr. Binnington and Mr. Atkinson and in providing them and their families with consular assistance. I know that the hon. Gentleman would agree that, as one would expect, there has been support from the Foreign and Commonwealth Office.

Given the limited amount of time available, I shall move on quickly to the hon. Gentleman's particular points. The British high commission in Nicosia was officially informed by the Cypriot authorities on 21 August 2006 that Mr. Binnington and Mr. Atkinson had appeared in Larnaca district court on 19 August, when an eight-day remand order was issued. Both men were being investigated for, but not yet charged with, conspiracy to kill, premeditated murder and attempt to kill.

The hon. Gentleman has gone into some detail about the events of that night in Cyprus, so I will not go over them again. The duty officer at the British high commission visited both men on 19 August, following notification of their court appearance, and they both had proper legal representation. They did not need anyone in the UK to be contacted.

Let me move on to deal with extradition. I am liaising closely with my hon. Friend the Minister for Europe, as this matter falls between our responsibilities—he representing the Foreign and Commonwealth Office and me the Home Office. The fact is that if the supreme court has decided as it has on a prison sentence, a warrant will be issued for the extradition of the two men back to Cyprus if they do not return willingly. That is a matter for the courts in both the UK and Cyprus; it is not something that Ministers can get directly involved in.

Consular staff from the British high commission in Nicosia attended the hearing yesterday at the supreme court, where the three presiding judges agreed on an adjournment, as the hon. Gentleman said, because certain documents were unavailable. Consular staff in Cyprus also spoke to the defendants' lawyer, who confirmed that because of the behaviour of the victim's family at previous court hearings, he did not intend to address the next court hearing orally, but to provide the judges with written statements and evidence. I trust that the hon. Gentleman is content with the legal representation and consular support that these men are receiving.

Let me respond to some of the hon. Gentleman's further specific points. He asked whether the Government could intervene on the Cypriot Government to fend off a possible extradition request. As I have already said, however, that is a matter for the courts. It is not the role of Her Majesty's Government to interfere in the internal affairs of another state, including in their judicial proceedings. Our own proceedings are, quite rightly, protected in a similar way. The hon. Gentleman, in challenging the issues of legality within Cyprus is taking the right route, as Her Majesty's Government cannot be expected, and are unable, to intervene.

The hon. Gentleman also asked about precedents for a supreme court intervention of this nature. I am afraid it is impossible to give a categoric answer on that, which would require a worldwide trawl of information. No precedent springs easily to my mind, so he may need to carry out further work himself on the issue.

Encouraging the Cypriot Government to institute a full review of the case is another one of the hon. Gentleman's requests. He wants a review of how the

[Meg Hillier]

case has been handled. The defence lawyer for both Mr. Atkinson and Mr. Binnington has not raised with the Government any questions about the conduct or fairness of the supreme court hearings. Where appropriate, however, the Foreign and Commonwealth Office will consider approaching the local authorities if a British national is not treated in line with internationally accepted standards. The FCO will also consider approaching the local authorities where a trial does not follow internationally recognised standards for a fair trial or where it is unreasonably delayed. I hope that that explains the Government's remit in this area.

The hon. Gentleman asked the Home Secretary whether she would resist the application for extradition, if and when it is forthcoming. As I have already explained a couple of times, Ministers have no role in the extradition process. Whether or not to order extradition is a matter for the courts, and the courts must decide whether extradition would be compatible with the convention rights within the meaning of the Human Rights Act 1998.

Mr. Newmark: Time is short. I understand that the President of Cyprus is visiting the Foreign Secretary in two or three weeks' time, so will the Minister at least approach the latter to get this case put on the agenda when he meets the new President of Cyprus?

Meg Hillier: I would be happy to raise the matter with the Minister for Europe, as it would be better for him to raise the matter with his colleague directly. The hon. Gentleman has put that on the record and I will ensure that I mention the issue personally to my ministerial colleague.

The men's lawyers will be able to put all their arguments to the court, should an extradition request be made and referred to it. In extradition requests, the legal niceties are all dealt with properly and formally. Extradition warrants have been well conducted and well rehearsed for some time now—we have good conventions within the EU on the matter.

The hon. Gentleman also raised article 6 of the European convention on human rights, which protects the right to a fair hearing but does not require that an accused be tried by jury. Mr. Harrington's sentence being disproportionate to the offence is a difficult matter for us to comment on. It is difficult for the Government to know the full facts of the case and all the factors that the judge took into account in sentencing. That is a matter for the judicial authorities in Cyprus.

The honorary legal adviser in Nicosia advised that the ruling of the supreme court is not contrary to Cypriot law, but noted the possibility of an appeal to the European Court of Human Rights. I hope that that gives the hon. Gentleman some comfort.

The primary role of the Foreign and Commonwealth Office in assisting British nationals arrested or detained overseas is to support them and take an interest in their welfare. The Home Office has a responsibility to ensure that the European arrest warrant is conducted in a proper manner, but without interference from Ministers. We ensure that the process happens as it should, and in my experience as a Minister looking at other European arrest warrants, it works well and fairly. We have respect for each other's legal systems, which is the bedrock of the process.

We can take up any justified complaint about ill treatment, personal safety or discrimination, with a British national's permission, but consular staff in Cyprus and London will, of course, continue to support Mr. Binnington and Mr. Atkinson and their families, within those limitations.

Question put and agreed to.

Adjourned accordingly at one minute past Three o'clock.

House of Commons

Monday 17 March 2008

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

CHILDREN, SCHOOLS AND FAMILIES

The Secretary of State was asked—

Small Schools

1. **Mr. David Heath** (Somerton and Frome) (LD): If he will make a statement on the future of small schools. [194063]

The Minister for Schools and Learners (Jim Knight): Local authorities have legal responsibility for determining the pattern of school provision most appropriate to their areas, taking account of parents' wishes. Small schools that are popular with parents must have a place in our educational system, and many serve rural communities. We will continue to support small rural schools through the presumption against closure, and by allocating funds to take account of the sparse population in rural areas.

Mr. Heath: That is all very well, but up and down the country small schools are being closed by local authorities. If the Minister wants his "presumption" to be taken seriously, will he withdraw the guidance that was issued to every local authority in December, which threatened to withhold money for primary school buildings and renovation from authorities that did not close schools or remove so-called surplus places?

Jim Knight: The hon. Gentleman should note that we have reduced the number of rural school closures significantly, from a peak of 127 in 1983 to an average of just six a year over the last 10 years. The guidance to which he referred should be read in its entirety: it makes clear that if access for young children is to be preserved there may be a need for more surplus places in rural schools, and acknowledges that it will not always be practical or desirable to remove all such places. Somerset county council's work on federation of rural schools provides a model for how the situation should be tackled.

Mr. Brian Jenkins (Tamworth) (Lab): Will my hon. Friend give a cast-iron assurance that when it comes to maintaining small schools—rural schools, in many cases—he will not necessarily be swayed by the views of parents, but will take a stance on what constitutes the best solution for the children? Multi-age classes are not always the best solution. They may make it possible for a school to be maintained, but the outcome is not good. Will my hon. Friend give that assurance that he will put children first?

Jim Knight: As my hon. Friend knows, we always want to put children first, but I repeat what I said to the hon. Member for Somerton and Frome (Mr. Heath). These are decisions for local authorities, and although we want them to listen to the views of parents, obviously we also want them to ensure that the individual needs of all children in their areas are met.

Mr. James Gray (North Wiltshire) (Con): The Minister said that the number of closures of small schools in our rural areas—against which the Government made a strong commitment in 1998—had declined to only six a year, but the fact is that we now have some 1,200 fewer small schools in our rural areas than we had in 1997 when the Government came to power. I have the figures in front of me. The Minister shakes his head, but I will happily show him the figures later. They are as plain as the nose on your face.

We need more than just words and the paying of lip service to schools. What about cutting the bureaucracy, initiatives and general messing around that makes small schools so difficult to maintain?

Jim Knight: The hon. Gentleman should consider his own bureaucracy when he quotes completely false figures. Statistics of that kind do not relate to the number of schools that have been taken out of communities. They relate to the closure of schools as a result of mergers between infant and junior schools to form primary schools, and to a range of factors that do not feature in the rurality classification used by DEFRA. The statistics that we use are consistent. The hon. Gentleman should remind himself of the trend that we saw when his party was in power, which, as I have said, resulted in a peak of 127 closures of small rural schools in 1983.

David Taylor (North-West Leicestershire) (Lab/Co-op): Will my hon. Friend commend the track record of Leicestershire county council? It has never been under the control of the Labour party and has only been under the control of any party for the last seven years, but in a generation or more it has never closed a rural school, with the single exception of Tilton on the Hill, east of the city of Leicester. Is my hon. Friend satisfied that enough funds are being allocated to local education authorities in rural areas to allow them to skew their budgets to meet the recognisably higher cost of enabling smaller schools to exist in the medium term?

Jim Knight: I am happy to commend the job done by Leicestershire county council in managing its schools against the background of a relatively difficult funding arrangement, although even in Leicestershire funding has increased significantly over the last 10 years, and its dedicated school grant will include funds for sparsity. I do not have the Leicestershire figure in front of me, but Somerset, for example, receives £5.48 million in sparsity funding.

Sir Nicholas Winterton (Macclesfield) (Con): I am reassured by the Minister's emphatic statement that there should be a presumption against the closure of rural schools. Does he accept that, often, the school in a village is the only major facility, so keeping it open is of great importance? Does he believe that federation of some schools is a good way of getting over the problem facing many local education authorities? Perhaps a merger between a Church of England school and a Catholic school to make an all-faith school can help in keeping small schools, village schools and rural schools open.

Jim Knight: I never thought that I would say that I hope that local authorities have the imagination of the hon. Gentleman. He is entirely right that we should be looking more at federations. In my own constituency, hard federations have resulted in school buildings remaining open in two villages, but under a single head teacher and a single governing body. That has been extremely successful. In Somerset, as a result of a move towards federation that encompasses all but five of its primary schools, just 9 per cent. of primary school places are surplus places. That is the kind of thing that we want to see, alongside co-location of services, so that a range of children's services and other services can be offered from a village school to keep village communities alive.

Bob Spink (Castle Point) (Con): The Minister will be well aware of the value of small schools, particularly in his constituency in Dorset, where a view has been taken to keep schools open for the wider community benefit, as he has stated. I congratulate him on reducing the number of small school closures over the past few years. That is absolutely right. Will he help me on Canvey Island, where one of my small schools is under threat of closure from Essex county council because of low numbers, even though much more building will be forced on Canvey Island, which will increase the capacity requirement on the island? What is more, that school is making excellent progress. Will he ask the county council to declare a moratorium on that closure?

Jim Knight: I appreciate that the hon. Gentleman needs all the friends he can get right now, and I am happy to have a chat with him about what is going on in Canvey Island and about how he can have a constructive conversation with his former friends in Conservative-controlled Essex county council.

Capital Funding (Milton Keynes)

2. **Dr. Phyllis Starkey** (Milton Keynes, South-West) (Lab): How much capital funding will be provided to schools in Milton Keynes local authority area in the next three years. [194064]

The Minister for Schools and Learners (Jim Knight): Capital funding allocated for schools in the Milton Keynes local authority area in the next three years amounts to more than £75 million, including £30 million for growth. We are now considering Milton Keynes' application for additional growth funding to reflect its exceptional circumstances, which may result in further capital support. Of course I have been informed by the extensive representations made by my hon. Friend.

Dr. Starkey: This morning I was at the start of the construction of the Milton Keynes academy in my constituency, so I am mindful of the money that we have had in Milton Keynes, but I have been making representations to support the bid by Milton Keynes council for the safety valve funding. Will the Minister confirm that, when he considers that, he will not just provide it according to formula but take into account the special needs of Milton Keynes?

Jim Knight: Naturally, following the representations that I have received, I will certainly seek to do that. I am glad that my hon. Friend was able to be at the academy this morning to see the results of the excellent investment that is going in, which has risen significantly from the low level of less than £10 million in 2001-02 to the high levels today. I am hopeful that we can make an announcement in the next few weeks about what we are going to do in respect of the application that has been made by her authority for the basic needs safety valve funding.

Mr. Mark Lancaster (North-East Milton Keynes) (Con): The Minister is keen to trumpet the cash for Milton Keynes but less keen to confirm that there is now a £50 million shortfall in funding for Milton Keynes—confirmed to me by the Secretary of State in a letter on 4 February. That means that, at a time when the Government are forcing new houses on Milton Keynes, they seem less keen to fund the 10 or 12 new schools that we desperately need to accommodate that new housing. What exactly will the shortfall be for Milton Keynes over the next three years?

Jim Knight: Certainly Milton Keynes council argues that it needs another £50 million. As I say, we are looking at the representations that the council and others have made. The hon. Gentleman has also been to see me to discuss the matter, but he needs to bear in mind when talking about that to his constituents that his party plans a raid on Building Schools for the Future that will take £4.5 billion from areas such as Milton Keynes, meaning that two of the 12 secondary schools in his town may not even be rebuilt.

English and Mathematics

3. **Mr. Tobias Ellwood** (Bournemouth, East) (Con): What recent assessment he has made of standards of attainment in mathematics and English in schools. [194065]

The Secretary of State for Children, Schools and Families (Ed Balls): As a result of our investment and reform since 1997, there has been an unparalleled rise in primary and secondary school standards in English and maths. Primary standards are at their highest ever, and record numbers of pupils left school in 2007 having gained five good GCSEs, including in English and maths.

Mr. Ellwood: I begin with a declaration of interest: I am a product of the international baccalaureate, so I did not do A-levels or GCSEs. As we are talking about raising standards in maths and English, why is the Secretary of State introducing a new form of diploma

that has already proved very unpopular with the universities, when we have the international baccalaureate, under which English and maths are taught up to the age of 18, and which is popular not only with schools but with universities and employers? Why is the Secretary of State reinventing the wheel?

Ed Balls: I am pleased to hear that the IB did a good job for the hon. Gentleman, as it does for many pupils throughout the country. We have been trying to put together a qualification that can combine academic and vocational learning, and I must say to him—I can get him the detailed information if he would like it—that the diploma has been welcomed by a wide range of universities, including Cambridge university, whose admissions tutor said that a diploma in engineering could be better preparation than A-level maths. The diploma has also been welcomed by a wide range of employers. Conservative Members would do well to reconsider their opposition to our new diplomas, as they are the best chance in more than a generation to break the two-tier system in academic and vocational learning. It is revealing that the Conservatives remain on the two-tier side of the argument when it comes to educational qualifications.

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op): My right hon. Friend will probably agree with me that the evidence taken by the Education and Skills Committee shows that standards have been rising in both English and maths. Will he, however, look at the experiment in Warrington, where five schools are using different forms of information technology to advance teaching in maths and English? Will he also look into whether we can improve the training of maths teachers so that both the teaching and learning experiences can be improved?

Ed Balls: My hon. Friend is an expert in these matters, and he knows that 100,000 more young people are now making the required grade at key stage 3 in English than in 1997, and that 95,000 more are making the grade in maths. It is because we want to improve the teaching of maths and teacher training in maths that we asked Professor Williams to produce a report for us on mathematics, and it will be published shortly. Also, our new master's qualification in teaching will enable teachers to get in-career training in mathematics. I am happy to listen to my hon. Friend's points, and to look at the Warrington example and see what further lessons we can learn.

Peter Bottomley (Worthing, West) (Con): I am glad that the Secretary of State is arranging to build on the work on maths teaching of Professor Adrian Smith of Queen Mary college. Will the Secretary of State or one of his Ministers get a list of the relevant secondary schools where A-level maths could be taught, find out which of them has not had a grade A in A-level maths in the past five years, and ask whether none of the pupils would have had the ability or aptitude to achieve that?

Ed Balls: I will be happy to get that information; I cannot say that I have brought it with me.

Ms Dari Taylor (Stockton, South) (Lab): Will my right hon. Friend join me in congratulating the primary school teachers in my constituency? Over the past five years, there has been a greater than 40 per cent. increase in the children's English ability and more than a 25 per cent. increase in their maths ability. That is astounding delivery by the primary sector. What are we going to do to improve further primary school education?

Ed Balls: My hon. Friend is right, as the facts show. In 1997, only 63 per cent. of children reached key stage 2 level 4 at the age of 11; that proportion has now increased to 80 per cent., and in maths it has increased from 62 per cent. to 77 per cent. That is a real improvement in standards, but it is not enough; we want to get to much higher levels even than those. That requires us to do even more to back the learning of our primary school pupils and to tackle the barriers to learning both in and out of school. One way to make sure that we can do that is to improve even further the teaching of reading in the earliest years. Along with Lord Adonis and Professor Jim Rose, I visited a school on Friday to see how it is using phonics in the curriculum. That is now being done extensively in three quarters of all schools, but we want to get to 100 per cent. and we will do so over the next year.

Mr. Nick Gibb (Bognor Regis and Littlehampton) (Con): Speaking of phonics, Sir Jim Rose in his report into the teaching of reading said:

"'synthetic' phonics is the form of systematic phonic work that offers the vast majority of beginners the best route to becoming skilled readers."

However, the Secretary of State, in his press release on Friday, in which he reported that a quarter of primary schools were not using phonics to teach children to read, and indeed in his response just now, does not use the term synthetic phonics. Can he therefore confirm the Government's policy? Is it that schools should use synthetic phonics, as recommended by Jim Rose, or is it a return to the mix of strategies that was the hallmark of the national literacy strategy?

Ed Balls: I know that no one is more keen on taking forward the issue of phonics and synthetic phonics in our curriculum than the hon. Gentleman. I am very pleased, therefore, that he read my press release. He will see that the first quote in it came not from myself, but from Sir Jim Rose himself; it was his findings that I was quoting. He was reporting on the progress on implementing his report and he says that all schools are using phonics, but that only three quarters are using them in the way that he would like—and we would like—which probably means using synthetic phonics in the way that the hon. Gentleman suggests. That will differ school by school, depending on the needs of different individuals, but Jim and I are clear on what needs to be done. We need to make sure that this is across all schools in the curriculum. The school that we visited was really interesting: 95 per cent. of children did not have English as a first language, and phonics was being taught not just in reading but in PE and right across the whole curriculum. I can therefore assure the hon. Gentleman that we are taking forward this agenda with determination, and we will make sure that the right kind of phonics are taught in all schools for all pupils.

Dr. Ashok Kumar (Middlesbrough, South and East Cleveland) (Lab): In September 2004, the Government appointed Celia Hoyles as the mathematics tsar to promote mathematics in our schools, colleges and universities. What assessment has the Secretary of State made of the tsar's progress in promoting mathematics in our schools?

Ed Balls: Celia Hoyles did a wonderful job, and we are really grateful for her work. She has laid the foundation for the strengthening of maths in the curriculum in primary and secondary schools, and we are taking that forward, including through the Williams review.

Alderman Blaxill School

4. **Bob Russell** (Colchester) (LD): If he will visit the Alderman Blaxill school in Colchester to discuss its future with the head teacher, staff, governors, pupils, parents and representatives of the local community. [194066]

The Minister for Schools and Learners (Jim Knight): I am obviously very grateful for the invitation from the hon. Gentleman and I am of course aware of the representations that he has been making about the future of Alderman Blaxill school, not least through last year's Adjournment debate, to which I responded. I know that there is an urgent need to raise standards at that school for the benefit of pupils, parents and the whole community.

Bob Russell: I am not sure whether the Minister will visit, but if not, will he receive a delegation from the school? Will he confirm that the latest Ofsted report, which was published this month, says that the school is now making satisfactory progress, which is no doubt entirely down to the inspirational leadership of executive head Mr. Jonathan Tippett? In view of the Minister's earlier comment that we should be looking more at federations, does he accept that the community resolution of the Roman river federation of secondary schools in south and west Colchester is the right way forward to save the three schools concerned?

Jim Knight: I am pleased to hear that the hon. Gentleman thinks that the executive head who has been brought in is doing a good job, and that is certainly what I have been told. However, the reports that I have from what I think was the most recent monitoring visit, in February—there may have been a more recent visit since then—show that progress since going into special measures is still inadequate. I have not been briefed on the Roman river federation, but I am very happy to look at the issue and to meet and talk with the hon. Gentleman, who has met my noble Friend Lord Adonis on a number of occasions to discuss the matter.

IT Projects

5. **James Brokenshire** (Hornchurch) (Con): How much his Department plans to spend on IT projects in the next 12 months; and if he will make a statement. [194067]

The Parliamentary Under-Secretary of State for Children, Schools and Families (Kevin Brennan): Subject to final spending decisions, the Department plans to spend £150.2 million on IT-enabled projects in the 12 months commencing 1 April 2008. That figure covers a wide range of investments in the Department's internal systems at a cost of £20.5 million, and in major IT-enabled policy initiatives at a cost of £129.7 million.

James Brokenshire: Despite the Department's spending millions on its ContactPoint database, the recent report by Deloitte and Touche highlighted the fact that significant data security risks remain with the project. Given that ContactPoint will draw together information on every single child in the country, creating a honeypot effect, what sort of risk does the Minister think is acceptable in relation to those sensitive data?

Kevin Brennan: I would not agree at all with the hon. Gentleman that the report identified significant risks. We commissioned the Deloitte report to look over the ContactPoint project, and it confirmed that ContactPoint has been developed very much with security in mind. The database is very important, and I hope that at some stage the Opposition will look very seriously at why we are setting it up. For example, there has recently been quite a bit of publicity about forced marriage. If we are to be able to identify young people who are at risk, we need to be able to share information between the professionals working with them. I hope that the Opposition will reconsider their position on ContactPoint.

Dr. Brian Iddon (Bolton, South-East) (Lab): Does my hon. Friend accept that the adoption of open-access IT systems can result in significant savings? Is his Department promoting their use throughout the education sector?

Kevin Brennan: BECTA—the British Educational Communications and Technology Agency—leads for us on that issue, but I agree with my hon. Friend that it is a way of achieving significant savings. As any modern business or any modern constituency MP knows, having properly IT-enabled systems is vital to serving the needs of children in this country and of our constituents.

Mrs. Maria Miller (Basingstoke) (Con): There is, however, a real and growing concern about IT database overload in the Department. It has three major databases of its own—ContactPoint, Connexions and the national children's database—and nine other children's databases feed into ContactPoint. May I take it from the Minister's response that there is a disagreement between the Secretary of State and the Secretary of State for Communities and Local Government as a result of the recent "Lifting the Burdens" report, which stated that the obsession with multiple databases has diverted attention from the most important task that the Department should have, which is delivering real support for families, or has the Secretary of State for Communities and Local Government got it wrong?

Kevin Brennan: As usual, that is a rhetorical rather than a substantive question from the hon. Lady. The point about ContactPoint and the other databases is that they exist to promote the welfare of children and young people in this country. I remind the House that ContactPoint was developed as a result of the Lord Laming inquiry into the Victoria Climbié case. I make no apologies whatever to the House for our continuing to develop that important project, which will enable professionals working with children to identify the other professionals working with them. That is a basic requirement of safeguarding children, and I hope that all parties in the House will support it.

Children in Poverty

6. **Mr. Mark Harper** (Forest of Dean) (Con): What recent discussions he has had with the Secretary of State for Work and Pensions on the proportion of (a) disabled and (b) non-disabled children living in poverty. [194068]

The Minister for Children, Young People and Families (Beverley Hughes): I have had several discussions recently with the Secretary of State for Work and Pensions on a number of aspects related to child poverty, including poverty rates for disabled children. The Government are committed to our child poverty targets and improving the life chances of all children. In addition, over the next three years, a total of £340 million has been set aside by my Department specifically to improve the lives of disabled children and their families.

Mr. Harper: The Minister will know that the Opposition share the Government's aspiration to eliminate child poverty by 2020, although I note that the Secretary of State for Work and Pensions conceded only recently that the Government were unlikely to hit their target of halving it by 2010. Some 55 per cent. of families in the UK with disabled children are living in poverty. To return to part of the announcement that the Minister has just made, will she update the House on what progress has been made in improving access to child care for families with disabled children, so that they are more able to access work?

Beverley Hughes: There are many reasons why the Government want to support families with disabled children. It is true that in some of those families the children are in poverty, but if the hon. Gentleman had read the excellent document that we produced last week, "Ending child poverty: everybody's business", he would have seen that it is not actually the presence of a disabled child that increases a family's risk of poverty; it is the presence of a disabled adult that significantly increases that risk.

The Government want to halve child poverty by 2010 and eradicate it by 2020, and we remain absolutely committed to that. We have already reduced absolute poverty by half and we will continue to move children out of poverty through the Budget—unlike the previous Government, who were responsible for more than doubling the rates of child poverty. They made Britain the worst place for child poverty and reversed the upward trend in social mobility. We are reversing that legacy.

Tim Loughton (East Worthing and Shoreham) (Con): The right hon. Lady's boss, the Secretary of State, has made a considerable personal investment in the plight of disabled children, but last year the number of children living in poverty after housing costs were taken into account rose by 200,000. We now have a higher proportion of children being brought up in workless households than any European country, and they stay in poverty for longer. Given the disproportionate effect on disabled children, who are twice as likely to live in poverty and twice as likely to leave school with no qualifications compared with their peers, thus reinforcing the cycle of generational underachievement, is not the Minister embarrassed by the Government's lack of a truly joined-up approach to disabled children and poverty involving employment, education, transport, health and housing—or is this just another case of so what?

Beverley Hughes: The hon. Gentleman cannot have read the document that we produced last week or have considered the measures in the Budget. Those measures—increasing the rate of child benefit, changes to the child tax credit, and disregarding child benefit—will lift a further 300,000 children out of poverty, and taken with last year's Budget that is another 500,000. We are committed to reversing the disastrous and atrocious legacy that the Conservatives left children in this country. They said that unemployment was a price worth paying, and they cannot be trusted on the family. They say one thing, but when they have the chance they do—

Mr. Speaker: Order.

Teachers' Pay

7. **Mark Pritchard** (The Wrekin) (Con): If he will make a statement on the teachers' pay settlement. [194069]

The Secretary of State for Children, Schools and Families (Ed Balls): The Minister for Schools and Learners made a written statement to the House on 15 January 2008 concerning the latest report of the School Teachers Review Body and our response. Following consultation on those proposals, we expect to make a further statement shortly.

Mark Pritchard: But with one in 10 teachers having been physically attacked in the classroom, with more than 33 knife attacks on teachers, and with 75 per cent. of all teachers having been verbally abused last year, does the Secretary of State agree with Lord Adonis that future pay settlements should include some sort of bonus or performance-related pay that is linked to improving discipline in the classroom?

Ed Balls: It is essential that we do even more to improve discipline in the classroom. We have taken substantial action, including in legislation, to ensure that we back teachers and give head teachers and governing bodies the power that they need to confiscate dangerous items and to act in and out of school. We will do more. That is why I have asked Sir Alan Steer to produce a report on the implementation of his report on behaviour and to suggest what we can do to improve

behaviour further. When I speak to members of the National Association of Schoolmasters Union of Women Teachers at their conference next week, I will tell them that we are on the side of teachers in rooting out ill-discipline in the classroom and will give them the powers that they need. It may be a more serious issue than can be addressed through a bonus in pay: we will give teachers the powers they need to act, so that they can get on and teach.

Employment Choices

8. **Judy Mallaber** (Amber Valley) (Lab): What steps his Department is taking to encourage male and female school pupils to consider a wider and less stereotyped range of employment choices; and if he will make a statement. [194070]

The Minister for Schools and Learners (Jim Knight): I expect schools and the external information, advice and guidance services that support them to be rigorous in challenging gender stereotypes and low career aspirations. We have taken, and are planning, a range of measures that make clear our expectations and which will embed good practice. For example, all 14 to 19 consortiums wishing to deliver diplomas have to undergo a rigorous diploma gateway process assessing them against a number of key criteria, including how they will challenge gender stereotypes and raise aspirations.

Judy Mallaber: I welcome that response. The Women in Work commission report and the recently published Select Committee report, "Jobs for the Girls", identified occupational segregation as one of the major reasons for the continuing gender pay gap. In view of that, will my hon. Friend consider the proposals in the Committee's report for providing further funding and resources specifically for careers advice and work placements, such as the proposal from the YWCA that boys and girls should have more than one work placement so that opportunities are not limited at too early an age through the assumptions embedded in families and society in general?

Jim Knight: I pay tribute to my hon. Friend's consistent championing of these issues in the House. We will, of course, look closely at the Select Committee report to which she has referred. I pay tribute, too, to the YWCA for the work that it has done. I met representatives of the YWCA before the Committee stage of the Education and Skills Bill, and they found that the lowest paid apprenticeship, hairdressing, is more than 90 per cent. female while the highest paid, the electro-technical trades, pays twice the average and is 100 per cent. male dominated. It is clear that we need to do better as regards careers advice. That is one reason why we have brought in a new quality standard, which all authorities will need to have regard to in the future.

Miss Julie Kirkbride (Bromsgrove) (Con): Why does the Minister think that male and female pupils choose stereotypical employment? Is it nature, nurture or neither?

Jim Knight: The hon. Lady has raised an interesting doctoral question. I suspect, Mr. Speaker, that you would not want me to expand at any great length on it. I imagine that it is a combination of the two, but I leave hon. Members to reflect on where the balance lies. That does not take away from the need to do more about gender stereotyping. I saw an excellent example in a school that took year 7 pupils and gave them taster sessions of work experience that did not fit their gender stereotype. As a result, interest in such careers increased significantly. If people have access to such taster sessions, which are more nurture than nature, it can only be a good thing.

Bullying

9. **John Robertson** (Glasgow, North-West) (Lab): What steps he plans to take to reduce the incidence of bullying in schools. [194071]

The Parliamentary Under-Secretary of State for Children, Schools and Families (Kevin Brennan): We are implementing a wide range of measures to help schools tackle bullying. These include reinforcing the power of school staff to discipline pupils who bully and providing them with comprehensive practical guidance on proven strategies for tackling bullying. We also provide support for individual schools through the Anti-Bullying Alliance, support peer mentoring schemes and fund a helpline for parents whose children are being bullied.

John Robertson: My hon. Friend will be aware that because of new technology, bullying now involves the internet and mobile phones. Sometimes, advertising such things makes the situation worse, as can be seen in some schools. What is my hon. Friend doing to try to solve the problem and what discussions has he had with service providers and schools to try to tackle that new kind of bullying?

Kevin Brennan: My hon. Friend is absolutely right. Bullying takes lots of new forms because of the new technology that is available. I agree absolutely that the virtual world is not a valueless world, and we should ensure that we enforce the same standards when dealing with online bullying or the use of mobile phones as we do when we deal with more traditional forms of bullying. We have taken measures to make it clear in law that schools can confiscate mobile phones when they are being misused and that discipline can be enforced beyond the school gates when bullying takes place online.

John Bercow (Buckingham) (Con): Given the finding of the Stonewall school report that no less than two thirds of lesbian, gay and bisexual young people have suffered bullying, will the Under-Secretary of State join me in congratulating Stonewall on the magnificent campaign that it is waging across the whole country, working through no fewer than 5,000 secondary schools, on the theme, "Some people are gay. Get over it!"? It is a good campaign that is making progress, and it has elicited a very positive response. We need to see more of that.

Kevin Brennan: Yes; unfortunately, the legacy of section 28 lives on to a certain extent in our system. I commend the hon. Gentleman for his work on equality as a pioneer in his party on the subject. He will be aware that we issued guidance on homophobic bullying last September. In fact, I know that my right hon. Friend the Secretary of State attended an event with Stonewall a month ago in relation to that.

Mr. David Chaytor (Bury, North) (Lab): On the legacy of section 28, does my hon. Friend agree that homophobic bullying is not just a matter of victimising pupils who are gay or lesbian, but about the routine use of the terms "gay" and "lesbian" as forms of abuse? Does he recall that the Select Committee on Education and Skills report on bullying last year placed huge emphasis on the role of head teachers and governing bodies in establishing firm anti-bullying policies in schools? Will he incentivise efforts to stress the importance of that to head teachers and the chairs of their governing bodies?

Kevin Brennan: I am happy to do that, and to confirm what my hon. Friend said. We all agree that relationships in our schools should be based on respect—respect between teachers and pupils, respect between pupils and respect between families and parents who use the school. That is why we issue anti-bullying guidance on all forms of bullying. I am happy to tell the House that in the near future we hope to issue the guidance that we have been developing on tackling the bullying of children with disabilities.

Ofsted Inspections

10. **Mr. Graham Brady** (Altrincham and Sale, West) (Con): If he will bring forward proposals allowing schools to request an Ofsted inspection. [194072]

The Minister for Children, Young People and Families (Beverley Hughes): Schools are already able to request an Ofsted inspection, although I understand that such requests are rare. The hon. Gentleman will understand that it is important that the chief inspector of schools has the capacity to target inspection resources where they are needed most. The decision whether to inspect, following a request, is a matter for the discretion of the chief inspector, taking into account factors such as the timing of previous inspections.

Mr. Brady: I am grateful to the Minister, who is my constituency neighbour and who knows my local schools well. She knows that I have four grammar schools and four non-selective high schools, all of which are excellent. Of the non-selective high schools, three have already been awarded an "outstanding" categorisation by Ofsted. The fourth—Blessed Thomas Holford Catholic college—is confident that it, too, will be found to be outstanding. It is keen to receive that categorisation as soon as possible, so that it can proceed with applications for a second specialist status. I think that it will take comfort from the Minister's words, and I would be grateful for any support that she can give.

Beverley Hughes: I welcome the finding, in the school's last inspection report, that parents and pupils hold the school in very high regard and that it performed very well across the piece. For reasons that the hon. Gentleman will understand, schools are now given minimal notice of inspections and so cannot choose when an inspection takes place, but if the school wants to make a request to Ofsted, Ofsted will consider that request for an inspection on its merits. I understand that the school must be inspected by June next year, so an inspection must be on the cards in the near future.

Admissions Process

12. **Mr. Greg Hands** (Hammersmith and Fulham) (Con): What assessment he has made of the effects of the changes in the secondary schools admissions process in 2007. [194074]

The Secretary of State for Children, Schools and Families (Ed Balls): The data that my Department published last week showed that, for the first time, 82 per cent. of families received an offer of a place at their first choice of school, and 93 per cent. of families received an offer of a place at one of their first three choices of school; both of those figures are an improvement on last year. The new stronger admissions code that was introduced last year has been widely welcomed. We are determined to ensure that all schools comply with the code.

Mr. Hands: In constituencies such as mine, there is enormous stress and upset over secondary school admissions at this time of year. In Hammersmith and Fulham last year, 40 per cent. of pupils did not get their first choice, and 10 per cent. got none of their choices. That is despite the best efforts of the Conservative council in Hammersmith and Fulham to extend secondary school choice, so why does the Secretary of State simply say that parents should "engage in the appeals process", when the real issue is that there are not enough quality secondary school places?

Ed Balls: The hon. Gentleman is right in his figures: about 60 per cent. of parents in his area got their first choice, and 90 per cent. got one of their preferences. I agree with him—in the end, the only way to deliver fairness for all parents is to make sure that every school is a good school. If we do not do so, we will always have some schools that are over-subscribed. I know that in his area there are three single-sex faith schools that are particularly over-subscribed. That is why I hope that he will back my national challenge programme, which seeks to reduce to zero the number of schools where less than 30 per cent. of pupils get five good GCSEs including English and maths. In 1997, that was the case in more than half of all schools—more than 1,600. We have got that number down from 1,600 to 638, and our pledge is to get it down to zero. I would like his support in making that happen.

Fiona Mactaggart (Slough) (Lab): In Slough local education authority, which is a selective education authority, this year only 41 per cent. of parents received a place at their first-choice school. Some 10 or 11 per cent. of parents were offered places at schools that they had not identified, and there are still 40 parents in Slough who have not yet got an offer of a school place. Given those circumstances, will the Secretary of State meet me to discuss what we can do in

Slough education authority, which has improving schools but not enough school places for our local children, and to see what can be done to meet the needs of parents in our area?

Ed Balls: I am happy to have that meeting with my hon. Friend and the Minister for Schools and Learners. The situation in Slough is quite concerning; the numbers there are substantially out of line with those in comparable authorities in the south-east. The number of pupils getting their highest preference was 38 per cent. in Slough, compared with an average of 79.5 per cent. in the south-east. As I look at the list of numbers in front of me, Slough seems to be at pretty much half the level of every other area in the south-east. Clearly, that is not acceptable. We need to see what is happening and whether the schooling system or the local authority are not getting it right. We are happy to meet my hon. Friend and see what we can do to help.

Child Care

13. **Mr. David Burrowes** (Enfield, Southgate) (Con): What recent representations he has received from child care providers on the Government's child care policy. [194075]

The Minister for Children, Young People and Families (Beverley Hughes): Child care providers in the maintained and the private, voluntary and independent sectors all have a vital role in ensuring that local authorities can fulfil their new duties to secure sufficient child care for working parents and parents with disabled children, and to improve the well-being of young children. I am personally very keen to hear the voice of providers, and I take every opportunity to do so. I want local authorities to do the same.

Mr. Burrowes: Will the Minister therefore hear the voice of the voluntary, private and independent providers in my constituency? They are concerned that following the full implementation of the code of practice next month, there will be a loss of provision in my constituency. Many are concerned that the Government do not understand that what is effectively a one-size-fits-all approach does not take account of the shortfall in funding.

Beverley Hughes: I would have those concerns, if they had proved to be true. The hon. Gentleman is jumping the gun somewhat. I understand that so far a third of providers have signed the new funding agreement with Enfield council, his local authority, and that the rest of them have almost three months to do so. I am clear that the £3 billion that the Government are putting in for the free entitlement is absolutely adequate.

I ask the hon. Gentleman to consider the amount of money that his council is forwarding to private and voluntary providers. Given the size of its dedicated schools grant, the allocation is less than the national average. I suggest that the hon. Gentleman talks to his council to see whether it is passing on all the money from the Government that it can.

Topical Questions

T1. [194053] **Mr. Desmond Swayne** (New Forest, West) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Children, Schools and Families (Ed Balls): This morning, my Department put before the House three written statements. The first was on the reform of the funding of 16 to 18 and adult education, and the second was on the steps that we are taking to ensure that we have the toughest ever vetting and barring system for all those working with or seeking to work with children and vulnerable adults. I am grateful for the constructive way in which the hon. Members for Surrey Heath (Michael Gove) and for Yeovil (Mr. Laws) have discussed those difficult issues in recent months. I have offered them today a further meeting to discuss the detail of that statement in due course.

The final statement was about ensuring proper implementation of the school admissions code. Today, I am publishing regulations to extend the period for referring objections to unfair admissions arrangements. I am also publishing my letter to the schools adjudicator asking him to report on compliance with the code this year, with an update in July and a final report on 1 September. I pay particular tribute to the faith organisations that are working closely with us to ensure compliance with the code, and I welcome their statements today. I hope that the measures will have the support of both sides of the House as they ensure that all parents and young people can have fair admissions through fair compliance with the code.

Mr. Swayne: I look forward to reading the three written statements. The Secretary of State has said that by defending A-levels one is committed to excellence for only a few. Is he seriously telling us that after 11 years of Labour Governments, only a few are capable of taking on A-level study?

Philip Davies (Shipley) (Con): "So what?"

Mr. Swayne: That is not the answer that I want.

Ed Balls: I am happy to say that last week in the House I was pointing out the weakness of the Opposition on education policy. Let me say what would be weak of me. It would be weak of me not to take action when I have clear evidence of unfairness in the admissions code. It would be weak of me not to put forward diploma proposals which extend across the academic and vocational divide and which I have said will exist alongside A-levels and will deliver excellence for all. It would also be weak of me not to fight the corner for more investment in education alongside heath and defence—a fight that I fear that the hon. Gentleman has been losing in recent weeks.

T4. [194057] **Hugh Bayley** (City of York) (Lab): When I spoke to the Sure Start team in York today, they stressed that they have health visitor team leaders in their Sure Start children's centres. Sure Start has given thousands of children a better start in life, and health visitors are part of that. Does the Secretary of State

agree that it would be wrong—robbing Petra to pay Paula—to take money away from Sure Start to fund health visitors, and will he give me a commitment to retain the funding for both?

The Minister for Children, Young People and Families (Beverley Hughes): Yes, I can. Leaving aside the gender stereotype and the fact that we want more men in those professions, I agree with my hon. Friend on his question and the points that he makes. To be serious for a moment, it is very dispiriting when we constantly have sniping and undermining of Sure Start by the Conservatives. As the national evaluation has recently shown, Sure Start is making a real difference, which is why we on the Labour Benches will reject any proposals to cut outreach workers—a policy that would undermine Sure Start and hit the poorest families most. Yet again, the Tories' sums do not add up. They are saying—

Mr. Speaker: Order. When I tell the right hon. Lady to stop attacking the Opposition, she stops—she does not continue after she is told.

Michael Gove (Surrey Heath) (Con): Last week, on the day that we discovered that 100,000 families had been denied their first choice of school, the Government named three local authorities in which they claimed that a significant minority of schools were in breach of the admissions code. The Secretary of State said that a disproportionate number were voluntary aided—that is, faith schools. This was not a handful of schools, he said—it was certainly in the tens. He specifically drew attention to schools demanding money for places. However, we now know that the allegations were made after what he has conceded was "unverified desk research". Was it wise to point the finger at faith schools before the research had been verified?

Ed Balls: It was the right thing to do, and I make no apology whatever. Last week, we set out the good news that 80 per cent. of parents—indeed, more than last year—are getting their first choice of school. That is good news, not bad news, and I am very proud of what has been achieved in that respect. As I said in my statement last week, we did an internal piece of work that showed that although the vast majority of maintained schools and academies were compliant with the code, a significant minority, which are disproportionately voluntary aided and foundation schools, were non-compliant. The advice that I received, which I took, was that we should verify the data before making them public school by school, but I felt that it was right that if I was verifying that information around the country I should also make it clear and public what we were doing, and that is what I did. Just to give one example—

Mr. Speaker: Order. Next question.

Michael Gove: It is revealing that the Secretary of State has said that it was his decision to go public with that announcement, because it is important to have one's facts straight before criticising minority faith schools. This is what head teachers of schools in Barnet have said:

"I do not understand why the allegation of school places for sale was made—the allegation was completely unfounded".

Another said:

"It was extremely worrying that I was rung up by the press before I had received any letter from the Department".

Another said:

"I was outraged and insulted to receive suggestions that we were asking for financial contributions to secure places".

The Secretary of State knows that many of the schools against which allegations have been made receive purely voluntary contributions to pay for the security of Jewish children under threat from extremists. The schools adjudicator has now been told to lead an inquiry into school admissions. Surely it would have been better to wait until that inquiry had reported and verified pronouncements before singling out faith schools in this way.

Ed Balls: Not at all. The fact is that voluntary contributions for security or other purposes are entirely legal under the code. What is not allowed is to ask for contributions as a condition of application to schools. The hon. Gentleman should be careful about jumping to conclusions; he should wait for the detailed data that we will publish. The reason why the faith organisations—I could quote the Board of Deputies, the Catholic Education Service or the Church of England—today supported publicly what we are doing is that they know that the credibility of the admissions code depends on dealing with these issues.

Mr. Speaker, may I please give you one example of an e-mail I received from a parent? She said that she was applying to a school where the application

"requires parents to state their occupation, sign a form agreeing to give permission to claim Gift Aid...and complete a standing order. The fees chargeable are stated in the prospectus as £37.50 per month. This must be submitted along with the application form to the school. Before I submit any of this information I would like to know if I am legally obligated to do so."

The answer is that she is not obliged to sign a form saying that she will pay £37 a month before applying to a school—

Mr. Speaker: Order. Both Front Benchers are saying too much here. Topical questions are for the benefit of Back Benchers, so that they can put brief questions and get brief replies.

T6. [194059] **Dr. Ashok Kumar** (Middlesbrough, South and East Cleveland) (Lab): Last week, the Chancellor announced an extra £30 million for a science fund for schools. May I ask the Secretary of State how schools in my constituency can access this fund? I invite him to come to my constituency to see the excellent work being carried out at Freebrough engineering college to train future scientists and engineers.

The Minister for Schools and Learners (Jim Knight): Naturally, I would be extremely pleased to visit my hon. Friend's constituency, particularly as he is a consistent advocate for the importance of science. The £10 million of Government funding for Project Enthuse that was pledged by the Chancellor last week will be matched, we expect, by equal investment from business and the Wellcome Trust to make £30 million. Secondary

schools will be able to develop the skills and knowledge of their science teachers through professional development as a result of that investment.

T2. [194055] **Tony Baldry** (Banbury) (Con): If diplomas are to be introduced successfully this September, parents, pupils and employers need to understand what they are all about. The children's plan toolkit, published today, contains five brief paragraphs on diplomas, one of which says that GCSEs and A-levels can be taken either as part of diplomas or alongside diplomas, which is confusing for people who do not understand the system. What will be done between now and September to explain to parents, pupils and employers, in a pamphlet or brochure, what diplomas mean and what their value is, so that there will not be confusion at the start of the autumn term?

Jim Knight: I will make a written statement to the House tomorrow on the take-up of diplomas in the second of the consortiums. Alongside that, for which there has been good take-up, we will continue our communications campaign. In my constituency, there has been full take-up of the construction and built environment diploma as a result of radio advertising locally and throughout the land. We will continue to try to get the message out to parents, but it will always be a challenge to get people to understand what we are suggesting for a brand new qualification. Roughly, the process will involve the equivalent of three days' curriculum time and we expect to see people taking GCSE English and maths at level 2 alongside the diplomas.

T7. [194060] **Mr. Jim Cunningham** (Coventry, South) (Lab): I know that the Minister answered a similar question earlier, but are there any further initiatives he can take to protect teachers from abuse and violence in the classroom?

The Parliamentary Under-Secretary of State for Children, Schools and Families (Kevin Brennan): As I have said, we have taken initiatives to ensure that teachers have the authority to discipline pupils, including the confiscation of mobile phones, and to discipline pupils for behaviour beyond the school gate. I know about the concerns about behaviour. We are determined to raise the bar, which includes asking Sir Alan Steer to conduct a review of the measures brought in as a result of his earlier review. There will be a report on an interim basis in the near future, and on a more detailed basis after that.

Mr. David Laws (Yeovil) (LD): Last month, the Department confirmed that in the past year it has carried out investigations into two of its contracts with private sector contractors. One of those investigations has led to a referral to the police. Will the Minister tell us what the allegations were, which private sector contractors were involved, and the outcome of the investigations?

Kevin Brennan: The matters that the hon. Gentleman has mentioned have been the subject of written questions from him. Many aspects of those matters are covered by commercial confidentiality. I am happy to meet him if he wants to discuss the issues further, and I confirm that there have been police investigations into some of those matters.

Andrew Mackinlay (Thurrock) (Lab): This morning, the Secretary of State for Children, Schools and Families and the Secretary of State for Culture, Media and Sport announced £5 million for GCSE and A-level music and dance at. Will my right hon. Friend ensure positive discrimination in allocating those scarce resources to the most disadvantaged schools, rather than to middle-class schools, which have all the gravitational pull of the high expectations of parents, pupils and teachers? Will he ensure that we act as a socialist Government and allocate the money to the poorest and most disadvantaged in our community?

Ed Balls: Of course I can do so, and Lord Adonis will take forward that socialist policy. Evidence shows that dance is an effective way of encouraging especially girls in their early teenage years to keep active and participate in PE and games. We will ensure that that is available for not only some but all schools, and for all young people in every community in our country.

T3. [194056] **Mr. Nigel Evans** (Ribble Valley) (Con): I assume that that is new socialism, not to be confused with old socialism. At a time when we are teaching youngsters to be more environmentally aware of what they can do to help save the planet, we also tell them that they cannot go to their first, second or third choice of school, that they cannot get on the bus that starts in their village to the schools that they want to attend, and that parents have to get into a car and drive some distance to another place. May we have a little more joined-up thinking so that we practise what we preach and let youngsters go to schools that are nearer where they live?

Jim Knight: As the Secretary of State said earlier, it is important that there is a choice of good schools for every parent in the country. That is why we introduced the national challenge. I was pleased that, in Lancashire, 97.6 per cent. of parents got a school of their preference and that 87 per cent. got their first choice. That is better than the national average. Lancashire is doing a good job—incidentally, under a Labour administration—in providing the good schools that every parent legitimately wants.

European Council

3.32 pm

The Prime Minister (Mr. Gordon Brown): With permission, Mr. Speaker, I would like to make a statement about the European Council held in Brussels, which I attended with the Foreign Secretary on 13 and 14 March.

I begin with the most important concern that the Council addressed: the need to ensure that, faced with global financial turbulence and what the Council identified as a deteriorating global economic outlook, high global oil and commodity prices and volatility in exchange rates, we continue to do all we can, with co-ordinated action at European and global level, to maintain stability and growth.

All European member states agreed to measures for greater financial market transparency: first, prompt and full disclosure of exposures to structured products and off balance sheet activities; secondly, more rigour in credit ratings; thirdly, improvements in valuation standards, particularly for illiquid assets; and fourthly, a strengthening of risk management under the capital requirements directive.

Given the globally transmitted nature of the risks, it is clear that many of those recommendations—the changes to credit rating agency operations and assessments; risk management and disclosure by global financial institutions; changes to capital adequacy rules; and arrangements for valuing financial instruments—which have also been proposed as measures for change by the American Administration, can best be implemented at a global level.

In welcoming that international dialogue as the first step in reform, I can tell the House that the Chancellor of the Exchequer is today writing to the G7, the International Monetary Fund and the Financial Stability Forum to call for co-ordinated international action on transparency and disclosure, better risk management and action on credit rating agencies to be agreed when the G7 and the IMF meet from 10 to 12 April.

In line with the approach of other major central banks, the Bank of England has this morning announced a further £5 billion liquidity support to financial institutions, and a new group has been set up to improve liquidity in the mortgage market.

At the European Council I made it clear that, while our economy is resilient and fundamentally strong, we will at all times remain vigilant and, especially at this time of global uncertainty, continue to take whatever action is necessary to maintain economic stability and growth.

The Council also discussed a new approach to the rising number and economic power of sovereign wealth funds. I strongly welcome the conclusions. Sovereign wealth funds are now worth $2 trillion, but may soon potentially be worth $10 trillion. Our new approach—calling for a voluntary code of conduct based on best practice, openness, transparency and corporate governance—is one that will enable funds to show that they are commercial in their operations.

The Council also discussed food and energy price inflation, and agreed further steps to monitor worldwide inflationary pressures. We agreed that the current global financial turbulence was not a reason to postpone fundamental economic reforms that are essential to building a more competitive European economy. We agreed that we should now press ahead with the liberalisation of markets and with new investment in knowledge and innovation. That includes further liberalisation in the energy, post and telecoms markets, which could generate up to 360,000 new jobs.

We discussed the need also for an economic reform strategy that looks beyond Lisbon—a comprehensive strategy to improve the business environment, strengthen relations with China and India, put our creative and knowledge industries at the forefront of the world economy, and make European universities leading global players, in particular through increasing their contacts with business. So the next stage of the Lisbon agenda will include a review of human capital and skills in Europe, and a renewed focus on competition policy in the single market.

The second major issue discussed by the Council was climate change, and it is essential that we achieve our ambitions of a comprehensive post-2012 agreement to reduce greenhouse gas emissions and of Europe leading the world in a low-carbon economy.

In December, the united European front at the climate change negotiations in Bali played an important part in the historic breakthrough that agreed the need to make large cuts in emissions and achieve a new climate deal within two years. Only a common European approach—a Europe with Britain not at the margins but at the centre, leading the world—can ensure a global low-carbon economy founded on our proposal of a global carbon market.

Building on this commitment, the Council agreed an ambitious schedule for adopting a package of measures to cut emissions by 20 per cent. by 2020 or by 30 per cent. as part of an international agreement. The Council also agreed with the UK on the need for an effective EU emissions trading scheme to provide the incentives to drive carbon reductions in the most cost-effective way and for a cap on emissions set centrally, with a clear emissions reductions trajectory to give investors the predictability that they now need.

The Council also considered a report from the EU high representative on the security implications of climate change and, at our request, agreed to submit recommendations on follow-up action—including intensifying co-operation with countries outside Europe—by the end of the year.

Meeting the EU's climate change targets requires not just action to reduce carbon emissions from energy suppliers and industry, but incentives to change individual behaviour. The Council will now invite the Commission, in bringing forward its legislative proposals on VAT rates, due in the summer, and working with member states, to examine areas where economic instruments, including VAT rates, can play a role in increasing the use of energy-efficient goods and energy-saving materials, from, as the UK has proposed, insulation and household materials to energy-efficient electrical goods, where VAT is cut.

The Council also agreed on the importance of achieving a fully functioning and joined-up internal energy market, as an essential condition for the secure, sustainable and competitive supply of energy across

[The Prime Minister]

Europe. We also committed to an energy agreement by June this year. It is clear that energy security is strengthened by a policy that takes a collective approach to third-country producers, notably Russia.

Europe can also play a part in ensuring stability beyond its borders. The Council agreed to build on existing co-operation to establish a "Union for the Mediterranean", to promote security and stability in the wider region and to provide a framework for co-operation between the EU27 and other Mediterranean coastal states on political and security issues, as well as economic, social and cultural affairs. That new union will be launched during the French presidency in July this year.

We also agreed that international development issues and the achievement of the millennium development goals, as well as Europe's continuing leadership as the biggest contributor of aid in the world, will be the subject of a major discussion at the European Council in June.

The outcome of the Council and the preparations that are being made for June affirm the conclusions of the debate that we have had in the House over the past nine weeks: they demonstrate that, with the completion of the Lisbon treaty, we now have an opportunity to move beyond institutional issues to create a more outward-looking, flexible and global Europe, and to address the challenges that matter most to the citizens of Europe.

With three quarters of a million businesses, 3.5 million jobs and 60 per cent. of British trade dependent on our relationship with Europe, we should do nothing to put the stability of that relationship at risk. It is only by working constructively and remaining fully engaged with our European partners that we properly address the challenges ahead.

As we prepare for the European Council in June and the French presidency later this year, our aim is that European countries working together can lead the way on climate change, on security, on international development and on the response to global financial turbulence. I will be discussing with President Sarkozy when he visits Britain next week how we can take all these challenges forward during the French presidency. I commend this statement to the House.

Mr. David Cameron (Witney) (Con): I welcome the focus of this Council: global competitiveness, global poverty and global climate change. This is the right agenda. On climate change, the first thing that Governments should do is get their own house in order. The draft communiqué included specific targets to reduce energy use in Government buildings, offices and cars. Will the Prime Minister explain why those specific targets were removed from the final text agreed at the weekend? Looking at our own record here in the UK, does the Prime Minister accept that 14 Government Departments are less energy-efficient than they were eight years ago, and that 15 Government Departments have actually increased their carbon emissions during that time—*[Interruption.]* He asks what this has got to do with Europe. I think we should be leading by example. In a similar context, will he confirm that, despite the fine words in the Budget about plastic bags, the Government have bought 1.2 million Whitehall-branded single-use plastic bags in the past two years?

The Prime Minister is right to say that the success of the emissions trading scheme is vital. Will he acknowledge, however, that the Lisbon treaty is completely irrelevant to making that happen? There are six words on climate change in the treaty and, as the House of Lords Committee pointed out last week, they have no legal significance. Is it not the case that we do not need a new constitution or a new treaty to deal with climate change at EU level?

Everyone will welcome the Prime Minister's intention to use indirect taxes, including VAT, as incentives for green behaviour. That is something that we have put forward in our own quality of life policy group report. The Commission said that it had doubts about whether the proposal was workable. One EU diplomat said that the agreed wording was

"a polite way of saying no",

and

"a way of saving face".

In regard to the outcome that we all want, is the Prime Minister sure that he is right and that that EU diplomat was wrong?

On the economy, Ministers discussed the recent turbulence in the financial markets. Clearly, proper co-ordination by central banks is going to be essential. Will the Prime Minister guarantee that his approach of putting the Financial Services Authority, rather than the Bank of England, in the lead to rescue British banks in distress will not make the process more difficult?

The final communiqué from Brussels warns Governments across Europe about the dangers of high deficits. Will the Prime Minister confirm that Spain's budget is in balance, and that Germany, the Netherlands, Denmark and Sweden all have budget surpluses, while Britain has the largest budget deficit in western Europe? Does he now regret the fact that we are the one country that failed to prepare for the downturn by putting money aside in the good years?

The other main issue for Europe to focus on is global poverty and the urgent need to make rapid progress on the Doha round. Will the Prime Minister tell us why the EU seems to be showing so little urgency in getting the deal moving again? The commissioner in charge of those negotiations is Peter Mandelson. Whatever any of us may think of him, I have always had very helpful briefing from him on trade and, I have to say, on other issues, too—*[Laughter.]* The Leader of the House should not laugh; she might put herself in jeopardy. What matters is that there should be a clear decision on whether he is going to serve another term. It cannot be in anyone's interests for the commissioner's future to be the subject of endless speculation. Will the Prime Minister tell us today whether Peter Mandelson is going to go on doing his job, or whether that decision is to be the subject of further dithering?

While Ministers were in Brussels, there was violence—*[Interruption.]* Look, I thought the boot boy had been told to calm down. I read in a Sunday newspaper that he was actually the soon-to-get-the-boot boy. Soon, he might have to go and sit in another part of the House. I see that the Prime Minister is

laughing. I think your career—you will be on the same conveyor belt as the Leader of the House.

While Ministers were meeting in Brussels, there was violence on the streets of Tibet. An EU statement on Tibet has been issued today, which I am sure the whole House will welcome. Britain rightly works closely with China and we very much welcome the way it has opened up its economy, but is it not vital that the Chinese Government understand that with the greater role they play in the world comes greater responsibility? Does the Prime Minister agree that the strong relationship we all want with China requires us to be candid and frank, even on issues where we disagree?

The Prime Minister: I will deal with each point, but is it not remarkable when 3.5 million jobs are dependent on our membership of the European Union and when European co-operation on the environment was crucial to what happened at Bali that the right hon. Gentleman can say so little about the advantages of co-operation in Europe, and that he should spend his time attacking the European Union rather than seeing the benefits in it?

The right hon. Gentleman says that the environment is nothing to do with the European reform treaty, but it is the first time we have set down as a strategic objective that the environment is an important issue and it is there in the treaty. All the other parties in Europe believe it is important that the environment be at the centre of Europe's work and if I may say so, if we are to lead the world on the environment, we will need to co-operate with our European partners.

The right hon. Gentleman also raised the question of how we as a country are cutting emissions. We are one of the few countries meeting our Kyoto targets and we will continue to do so. One of the reasons why we are meeting them is that we implemented early on in our Government the climate change levy, which the Conservatives continue to oppose.

I find it very strange for the right hon. Gentleman to be raising issues that compare us with the rest of Europe in terms of economic progress. We have lower inflation than the rest of Europe and we have a history of stability and growth. He will find, during the course of this year, that the American deficit will be higher than the British one because people are taking the right action to deal with the global financial turbulence. I am sorry that the right hon. Gentleman has so little to say in support of the action that the European Union and, indeed, all international authorities are taking on the economic issues confronting them. If the Conservatives want to be a serious party, perhaps they could actually address the serious issues of economic progress.

As far as the issues about Tibet are concerned, the right hon. Gentleman is absolutely right that, although it was not discussed at the European Council, all of us are concerned about what is happening there. We have made our views known to the Chinese authority: we believe that there should be restraint and an end to violence; and we believe that there should be a dialogue between the different authorities, which should happen soon. It is very important to recognise that at this time the whole world is looking to China to see what the reaction will be.

The right hon. Gentleman also raised the issue of trade and may I say that we, too, have been pushing the rest of the world because we believe it important to use this window of opportunity to get a trade deal? That is why we are working as we are with the European Trade Commissioner and why it is essential to move other countries forward to see if we can get a deal.

One of the people who was at the European Council during the course of the weekend was the Czech Prime Minister. Until recently, he was the Conservative party's only supporter in Europe. What he is saying now, however, is that failure to support the reform treaty will leave the Czechoslovakian people isolated in Europe. That is exactly what would happen to this country if we ever listened to Conservative advice.

Mr. Nick Clegg (Sheffield, Hallam) (LD): I am grateful to the Prime Minister for his statement. As European summits go, the conclusions were workmanlike; largely welcome, but fairly unremarkable. I wonder whether that is in part because of the issues that were omitted. Notwithstanding the Prime Minister's words about Tibet today, will he explain why there was no discussion among EU Heads of State last week on Tibet? Does he not think that it is precisely the actions of the Chinese authorities in Tibet that should be the subject of discussion between European leaders?

I know that the Prime Minister is extraordinarily reluctant to do anything, it seems, to annoy the authorities in Beijing, but will he none the less confirm today that he will follow the lead of President George Bush and of Chancellor Angela Merkel and meet the Dalai Lama on his forthcoming visit to London to express solidarity with the Tibetan people? *[Interruption.]* As the Prime Minister knows, I have written to him about that on two occasions and still not had a clear answer—*[Interruption.]*

Mr. Speaker: Order. Allow the right hon. Gentleman to address the House. Not to do so is unfair.

Mr. Clegg: I congratulate the Prime Minister on inserting, at the last minute, a reference in the conclusions to his laudable aim of reducing VAT rates on environmentally friendly goods, but why did he apparently go about that in such a bizarre fashion? Why did he spring it on his colleagues—if reports are to be believed—at the last minute through a letter with President Sarkozy? Is that really the best way to show leadership and do business in the EU? My worry is that the manner in which the proposal was spun in the press had as much to do with obscuring the Government's woeful record on the environment, compared with that of other EU countries.

We are now 25th—25th—out of the 27 EU member states on the use of renewables, and more than 25 per cent. of our carbon emissions come from our housing stock, compared with 5 per cent. in Sweden, which is a much colder country. We have a recycling rate well behind that of France, Germany, Spain and other countries. The go-ahead is being given to Kingsnorth power station—the first in a new generation of coal-fired power stations—without any effort being made to use carbon capture technology, and the go-ahead is being given to a third runway at Heathrow. The list goes on.

[Mr. Clegg]

Does the Prime Minister not accept that he can make all the noise he wants about his VAT proposal, but our green credentials in the EU will never be strong unless real action is taken across a much broader range of issues? For instance, will he commit today to giving support to a new draft directive on the geological storage of carbon, which is being drafted in the European Parliament and which would oblige all member states to accelerate the use of carbon capture technology at all the coal-burning power stations?

I strongly agree with the Prime Minister that there is a pressing need to move towards a fully integrated and competitive energy market in the single market. In particular, the EU needs the powers to take action against monopoly energy providers in markets such as France and Germany. Does he agree that the new Lisbon treaty would give the EU precisely those powers further to liberalise the EU energy market, and that that is just another example of the benefits that the treaty would bring the British economy, which the Conservative party is so keen to deny the British people?

I warmly welcome the Prime Minister's remarks about co-ordinated action at European level to ensure stability and greater transparency in the financial markets. The reverberations around the global markets today, caused by the news that the US investment bank Bear Stearns is to be taken over at just 2 per cent. of its share value compared with 12 months ago, show how timely the EU's Council statements are.

It is critical, at a time when liquidity remains so tight for the world's banks, that steps are now taken to ensure that this does not create an environment where credit is being withdrawn for millions of ordinary people. That is why we must also now pioneer reforms to the system of lending to ensure that we do not find ourselves in a similar position in years to come.

Does the Prime Minister agree that while it is critical that the capital requirements directive be reviewed if we are to prevent a further boom-and-bust cycle in the credit markets, we must be prepared to use levers to control supply as well as demand for credit?

The Prime Minister: I am grateful to the right hon. Gentleman. First, may I correct him on VAT? I first raised the issue months ago with our European colleagues; I have been following it up ever since. I am grateful that we now have an agreement to look in detail at whether VAT reductions on matters such as household materials and electrical goods can be beneficial both in encouraging people to use energy-efficient products and in stimulating a market where Europe can benefit in the future. So, he is wrong to say that this was raised only on the day of the Council. We have been pressing our European colleagues on the matter for some time.

I agree with the right hon. Gentleman on the importance that we attach to environmental issues. Again, I have to correct him. Carbon capture and storage is something that we have been pushing right across the EU. There will be 12 demonstration plants, and one of them, we believe, will be in the UK, but we want the European Commission to make it possible for there to be greater incentives so that people will develop carbon capture and storage at a quicker rate.

The right hon. Gentleman is right about energy liberalisation and the importance that we attach to it in the EU. That is one of the reasons why qualified majority voting in energy matters will be beneficial, opening up markets and the creating of jobs, although it was opposed by the Conservative party.

I disagree with the right hon. Gentleman about Britain's record in relation to other countries. I repeat that we are one of the few countries in the world that is meeting its Kyoto targets, and we will continue to do so.

On the economy, I hope that the right hon. Gentleman will agree that Europe is leading the way on calling for a proper international response. We had a meeting with Chancellor Merkel, President Sarkozy, Mr. Prodi and the President of the European Commission a few weeks ago. We have now put forward proposals in detail. The Chancellor is writing to all members of the IMF, the G7 and the Financial Stability Forum to push these forward. Our proposals are in harmony with those that have just been put forward by the US Treasury Secretary. To ensure confidence in financial markets, we believe that it is important that those proposals are adopted.

Finally, I agree with the right hon. Gentleman when he says that action to express our views on Tibet is important. People around the world are expressing concern. We have made our views known, and there will be an EU statement later today. There is a demand for restraint on the part of the Chinese authorities. These are the most important matters now. We will make other announcements and decisions in due course.

Ann Clwyd (Cynon Valley) (Lab): The Prime Minister has stressed the importance of ensuring stability beyond the borders of Europe. Were there any discussions about Burma because, obviously, the UN envoy, Mr. Gambari, has failed in his mission to bring about stability and progress there? If the Prime Minister had no opportunity for discussions on this occasion, will he use the meeting with Mr. Sarkozy later in the week to discuss that matter?

The Prime Minister: My right hon. Friend is right that Burma is an issue on which we have common cause with many people in the rest of Europe and, indeed, in the rest of the world. Mr. Gambari has just finished his visits to Burma. It is important that we recognise that the Burmese regime's proposals for a referendum and elections that would exclude Aung San Suu Kyi are totally unacceptable. She should be released from house arrest immediately. Democratic elections should happen, and there should be reconciliation to bring the forces in the country together. I will continue to press that cause with my European colleagues.

Mr. Andrew Mackay (Bracknell) (Con): Why did the Prime Minister not answer the question about the future of Peter Mandelson as our European Commissioner? Surely he should be putting his right hon. Friend the Member for Leicester, West (Ms Hewitt) out of her misery.

The Prime Minister: Because it was not discussed at the European Council.

Nigel Griffiths (Edinburgh, South) (Lab): Does my right hon. Friend accept that it was important that he achieved success on getting the Council to consider a reduction in VAT on insulation materials? Will he go further and press the Heads of Government in Europe not only to achieve the target of a 60 per cent. reduction in CO_2 emissions by 2050, but to go beyond that towards 80 per cent.?

The Prime Minister: My hon. Friend is absolutely right that the whole of Europe should consider whether a more ambitious target than a 60 per cent. reduction by 2050 is not only necessary, but desirable and something that we should work for as part of the Bali negotiations that will be held in Copenhagen a year from now. I agree that it is important that we look at that, which is why we are asking our own Committee on Climate Change to report on it. I believe that other countries are ready to follow suit and that a common European policy is possible on this, as on other matters. May I say that it is no good for Conservative Members to call for environmental co-operation in Europe if they are about to renegotiate the whole of the treaty in Europe?

Sir Peter Tapsell (Louth and Horncastle) (Con): While we are on the subject of European co-operation, did the Prime Minister ask the other 26 Heads of Government at the European Council why none of them is prepared to send fighting troops to support our Army in the Helmand province of Afghanistan?

The Prime Minister: There are 43 countries involved in Afghanistan. Different countries are making different contributions in different ways. This will be a matter for discussion at the NATO summit in Bucharest, where other countries will be asked to share the burden in Afghanistan in terms of both equipment and troops. The specific location of troops will be a matter for discussion among the different partners in the coalition and we will reach agreement in due course. People ought to remember that, contrary to what was said at the time, 40 countries and more have joined the coalition on Afghanistan because they know that Afghanistan is the front line against the Taliban.

Keith Vaz (Leicester, East) (Lab): I welcome the Prime Minister's statement and refer him to paragraph 5 of the conclusions, in which member states are invited to strengthen the involvement of stakeholders in the Lisbon process. Will he tell the House how he intends to make sure that that happens, and that we will stick to the benchmarks that were originally suggested by the Lisbon process?

The Prime Minister: A range of discussions is taking place with all the social partners on all the issues related to Lisbon, and I know that industrialists and business groups have been called in to consider what the next stage of the Lisbon process might involve. I believe that we should now also consider the post-Lisbon process, so that we can think about how universities and skills can be part of the agenda for the future. A better competition policy may be part of the agenda as well. On all those matters, we will consult and work with not only all 26 of our colleagues in Europe but the various stakeholders who are concerned about the way in which the European economy develops.

Mr. Charles Kennedy (Ross, Skye and Lochaber) (LD): I agree with the Prime Minister that it makes absolute sense for this country to be fully involved with Europe on environmental policy, and for Europe to be the most important mediator in the presentation of a greener agenda. The EU can achieve much more than any nation state can achieve on its own. Will the Prime Minister emphasise that such an approach would be gravely undermined if this country were to adopt the sheer folly of a process leading to a policy of effective disengagement at European level?

May I draw attention particularly to the Prime Minister's comment about the strengthening of energy security through a policy that takes a collective approach to third-country producers, notably Russia? Will he flesh out the discussions that took place a few days ago on that specific issue, which is a cause of growing concern throughout Europe?

The Prime Minister: There was a discussion about energy security and relationships with Russia, which is indeed a serious matter. Although it should not prevent us from trying to secure a partnership agreement with Russia, we should be absolutely clear about where our strategic interests lie, and there is merit in Europe coming together to present a united front in this regard.

The right hon. Gentleman is also right to say that we would be in danger of not being able to make progress on the environment or on other issues if we were again to become isolated in Europe. I repeat that not one other country proposes a referendum on the European Union treaty—[HON. MEMBERS: "Ireland!"]—apart from Ireland, and not one Government of the 27 opposes the treaty, while this Conservative party in this House opposes it. I understand that the only parties that support the Conservative position on the referendum are the Dutch Party for the Animals, the French Hunting, Fishing, Nature, Tradition party, Sinn Fein, and a variety of Trotskyists. Moreover, the Prime Minister of the Czech Republic—I repeat, the Czech Republic—made it absolutely clear not only that he would be isolated in Europe if he opposed the treaty, but that he was totally against the Conservative position on a referendum. In other words, the Conservatives have no allies in Europe.

Chris Bryant (Rhondda) (Lab): The Prime Minister rightly referred to the need to co-ordinate energy security across Europe, but, if the climate change scientists are right, it seems likely that in the next few years lack of access to drinking water in north Africa will lead to dramatic changes in patterns of migration into Europe. In the past, that danger has tended to interest only the Mediterranean members of the European Union. Does the Prime Minister agree that it is now vital that the whole European Union take it seriously?

The Prime Minister: It is true that problems in Africa, whether they involve water shortages, lack of economic development, poverty, disease or migration, can directly affect the whole of Europe. That is why it is important that we have strong relationships with the African Union, and why the proposed union of the Mediterranean—which will involve 27 countries in Europe as well as Mediterranean countries bordering

[The Prime Minister]

Europe—is such an important development. One of the issues that will be discussed is what help we can give African countries to develop not just their water supply but their infrastructure, so that they can trade with the rest of Europe.

Hywel Williams (Caernarfon) (PC): The whole House will welcome the target of a 20 per cent. reduction in emissions by 2020, but which figure will the Prime Minister use in referring to the United Kingdom's contribution? Will he use the figure that is often quoted to the United Nations, or the figure in the report published today by the National Audit Office, which is some 12 per cent. higher?

The Prime Minister: It is predicted that greenhouse gas emissions in 2010 will be 23.6 per cent. lower than they were in 1990. The goal is to reduce carbon dioxide emissions to 20 per cent. below 1990 levels as well, and that is obviously part of the Government's objective. We are now considering the targets for 2020 and 2050.

Mr. David Chaytor (Bury, North) (Lab): One of the great advantages of our membership of the European Union is the opportunity it provides to young people to work, study and travel freely across the EU. In the context of the post-Lisbon agenda, the review of human capital and skills and the role of universities, will my right hon. Friend look particularly carefully at the difficulties that we have in encouraging our young people to take advantage of the financial assistance schemes that are available to enable them to study abroad? British young people seem more reluctant to study abroad than young people in similar EU countries. Will he look at that carefully?

The Prime Minister: The Minister for Europe is here, and he draws my attention to the Erasmus scheme and other schemes that make it possible for people to study in the rest of Europe. We will certainly look at that matter. Co-operation between universities—and, indeed, between all institutions of education—will be very important. We must do everything in our power to deepen those collaborations.

Mr. David Heathcoat-Amory (Wells) (Con): When he was Chancellor of the Exchequer, the Prime Minister was critical of EU structural funding and the waste of that funding and of industrial expenditure. He said that

"there is no better place to start than by bringing regional policy back to Britain"

If that is still his view, what progress has he made in persuading other member states of that?

The Prime Minister: I am grateful to the right hon. Gentleman for raising that matter, because we have made reforms in European Union expenditure. That means that more of the resources are going to the poorest countries, which was the objective of the proposals that I put forward. I wanted more resources to go to the poorest countries in the rest of Europe and I wanted member states such as us to be able to carry out our own regional policy. That is why we have advocated changes in the state aid rules, and why, for example, on venture capital, we have made progress exactly in that area.

Fiona Mactaggart (Slough) (Lab): I welcome the decisions in the European Council about financial market transparency and today's boost to the liquidity of financial institutions by the Bank of England, but given that irresponsible lending by those institutions has created real risks for home owners, will the Prime Minister initiate discussions about how to keep people on the home ownership ladder? We have many excellent schemes to get people on the first rung, but existing home owners are at risk of losing their homes because of bad lending. What can he do to help them?

The Prime Minister: One of the announcements that I made during the statement was that the Government are creating a new group to look at mortgage markets, and that will cover some of the questions that my hon. Friend raises. I agree that it is important at these times that we do everything we can to help those who are finding it difficult to pay their mortgages. However, she will note that the rate of people losing their homes and the rate of people who are in arrears on their mortgages are substantially lower than they were in the last world downturn in the early 1990s, when we had more home repossessions than at any time in our history.

Mr. Edward Garnier (Harborough) (Con): As a director of the Great Britain-China Centre, a body partly funded by the Foreign Office, I was pleased to note in the Prime Minister's statement that he discussed a comprehensive strategy to strengthen the EU's economic relations with China, but I found his response to my right hon. Friend the Member for Witney (Mr. Cameron) about the influence that the EU should have on China in relation to Tibet somewhat thin. Will the Prime Minister provide us with some practical examples of what his Government will do in the next few days in that regard?

The Prime Minister: We have made our views known. While there was a discussion among Foreign Ministers about Tibet, it was not at the full European Council. Information was very sketchy on Thursday and Friday about what was happening in Tibet. It is only recently that we have become more aware of the problems that have arisen there. We have made our views known to the Chinese authorities. The Foreign Secretary is in touch with the Foreign Minister of China. We are calling for restraint and we believe that the way forward is a dialogue between the different parties. The hon. and learned Gentleman may know that we have been part of a human rights dialogue with China whereby there were visits to Tibet recently to look at conditions there, so we keep everything in that area under review and we are calling for restraint, for an end to violence and for dialogue between the parties involved.

Bob Spink (Castle Point) (Con): May I ask the Prime Minister what was agreed at the Council to get better control of EU spending and budgets, so that we do not see a 14th successive failure to get the accounts signed off by the auditors because of major problems in each of the key spending areas?

The Prime Minister: The hon. Gentleman is right in that we have been pressing for better accountancy procedures in relation to that, but he should betray to us the true nature of his inquiry: he wants Britain out of the European Union altogether.

Mr. Crispin Blunt (Reigate) (Con): The very first line of the presidency conclusions from the summit are:

"The fundamentals of the European Union economy remain sound: public deficits have been more than halved since 2005 and public debt has also declined".

As by 2005 the Prime Minister had been in charge of the economy for eight years, will he explain why in the ensuing period the United Kingdom made such a significant negative contribution to the wider EU position?

The Prime Minister: When we came to power, debt was 44 per cent. of GDP, but it is now 38 per cent.; it is billions of pounds less than it was. We should not take any lectures from the party that caused the recession of the early '90s.

Mr. Peter Bone (Wellingborough) (Con): Will the Prime Minister meet the Dalai Lama? A simple yes or no will do.

The Prime Minister: As I have said, the priority at present is to deal with the issues in Tibet and to make our representations to the Chinese Government. We will make any further announcements later.

Mr. Andrew Robathan (Blaby) (Con): While the Prime Minister was chatting— convivially, I am sure—with his fellow European leaders in Brussels, did any of them congratulate him on pushing the Lisbon treaty through this House, even though that did, of course, involve his breaking his solemn promise on a referendum, contrary to the wishes of the British people?

The Prime Minister: When it was a constitutional treaty, nine Governments in Europe said there should be a referendum. As it is no longer a constitutional treaty, only one Government—the Irish, who are legally obliged to do so—are having a referendum. This has been through constitutional courts in Denmark and Holland, which agreed that this is not a constitutional treaty. In fact, the first words of the Brussels declaration are that the constitutional concept has been abandoned. The Conservative party would do better to follow us in negotiating better living standards and better deals for the British people than to try to renegotiate past treaties, which is clearly what it will spend all its time doing.

Mr. Bernard Jenkin (North Essex) (Con): Does the Prime Minister recall that when the Lisbon agenda 2000 was first launched, it promised 3 per cent. annual growth in the European Union until 2010 and that red tape would be cut? The then Prime Minister said that it

"marks a sea change in European economic thinking...away from heavy-handed intervention and regulation".—[*Official Report*, 27 March 2000; Vol. 347, c. 21.]

However, the European Commission itself now accepts that even though the single market increases European GDP by €225 billion, the burden of European regulation is €600 billion. Is that why the Lisbon agenda has to be relaunched time and again with the words:

"Launching the new cycle of the renewed Lisbon strategy"?

The Prime Minister: We have been making proposals to cut red tape in Europe during our presidency and in recent presidencies. The hon. Gentleman misunderstands the success of the Lisbon process: 10 million new jobs have been created in the EU as a result of it. He should tell us the true nature of his inquiry about Europe. He wants a referendum to oppose the amending treaty. He wants that even if it is ratified. He would force renegotiation of our membership of the EU. No country in Europe supports that, and he would be totally isolated.

Tony Baldry (Banbury) (Con): The promise of a discussion of the millennium development goals at the June Council sounds somewhat weak. Will the Prime Minister undertake that between now and June, UKREP—the United Kingdom Representative Office—and No. 10 will work with colleagues elsewhere in the EU to try to ensure that at the June Council meeting a process is put in place to implement the MDGs by 2015 and that there is not just further discussion, but that some decisions are made about a process to implement them by then?

The Prime Minister: I am grateful for that question from the hon. Gentleman, who used to be the Chairman of the International Development Committee. We have called a conference with business leaders and others in May to look at how we can make progress on the MDGs and get a wider coalition of business, voluntary groups, foundations, charities and faith groups, as well as Governments, to pursue them. In June, this matter will be discussed in detail at the European Council as a report is being prepared already by Mr. Barroso, President of the Commission, about the progress that has been made and the progress that has still to be made. That will lead through to September, when there will be a special session of the UN—called by the Secretary-General—to look at what we must do next to achieve the MDGs. All Members should recognise that Europe leads the world: it is the biggest contributor to aid. It has done more than any other continent, but we want to do still more in the future. It is only possible for us to work successfully if we continue to work together. That demands a high level of co-operation in Europe, which I hope all Members will support.

Mr. Nigel Evans (Ribble Valley) (Con): The Prime Minister spoke about Russia's important role in energy security and made particular reference to Ukraine. Russia also has a very important role to play with its allies in Serbia in connection with the future security and stability of Kosovo. Has the Prime Minister yet managed to speak to President-elect Medvedev, and when does he expect to meet him face to face to discuss the important role that Russia has to play in the future of Europe?

The Prime Minister: As far as Kosovo is concerned, the violence that is happening now is most regrettable. I hope that the withdrawal of some of the UN forces can be avoided. It is very important to recognise that the

[The Prime Minister]

policy of supervised independence in Kosovo means that there is a role for all minorities in that country. I am pleased that a large number of countries have now recognised the new Kosovo. Serbia is guaranteed a European future if, of course, it continues to observe democratic rights, which it is doing. I understand its frustrations about what has happened in Kosovo, but it is important that it recognises its responsibilities to the rest of Europe.

The hon. Gentleman knows perfectly well the difficulties in our relationship with Russia that have arisen from what happened in London, where we had an assassination, and, at the same time, as a result of the treatment of the British Council, but we want good relations with Russia. We support a partnership agreement between the European Union and Russia, and we will continue to pursue these objectives.

Mr. Tobias Ellwood (Bournemouth, East) (Con): Following the question from my hon. Friend the Member for Wellingborough (Mr. Bone), does the Prime Minister have any plans, separate from those of the EU, to meet the Dalai Lama?

The Prime Minister: I have made it clear that we are concerned about recent events in Tibet; we have made our view known. We have called for restraint. We believe that there should be a dialogue between the parties. That is the most important thing at the moment, and any further announcements or any further decisions can come later.

Mark Pritchard (The Wrekin) (Con): Given that the Prime Minister seems reluctant to meet the Dalai Lama, will he confirm that he will at least have the courtesy to have a conversation on the telephone with him?

The Prime Minister: I have made my views known. I repeat: this was not discussed at the European Council. A statement is being made by European Union Foreign Ministers this afternoon, and I believe that that will show the unity of Europe in expressing concern about the situation.

Mr. Robert Goodwill (Scarborough and Whitby) (Con): Following the Prime Minister's reference to Czechoslovakia—that far-away place of which he obviously knows little—do we now have evidence that he has been receiving foreign affairs briefing from the President of the United States?

The Prime Minister: I talk regularly to all my colleagues in Europe, and I made it absolutely clear when I was talking about the Czech Forum that I was talking about the Czech Republic.

Nail Bars and Special Treatment Premises (Regulation)

4.18 pm

Dr. Phyllis Starkey (Milton Keynes, South-West) (Lab): I beg to move,

That leave be given to bring in a Bill to make provision for the licensing of nail bars and premises where tattooing, cosmetic piercing and other prescribed treatments are carried out; and for connected purposes.

A constituent of mine first drew my attention to nail bars and the potential problems posed by what one might describe as the bargain-basement end of the market. My constituent, who runs a reputable nail bar in central Milton Keynes, became very concerned by the damage that had been done to the nails of some of her customers by other, less reputable establishments. Since I first raised this issue in the House on 15 November 2007, I have received feedback from across the UK showing that this is a widespread problem—a point reflected in the wide geographical spread of the sponsors of this Bill.

It might help Members who are not familiar with the nail bar business if I briefly describe what nail bars are and the procedures they use. Nail bars are a relatively recent import from the US. They are a part of the beauty industry, and offer artificial nail extensions that can then be painted or decorated. In reputable nail bars with properly qualified nail technicians, nail extensions are created from mixing a polymer powder with a polymerising agent called ethyl methacrylate, or EMA. The resulting nail extension is flexible and easily attached to the natural nail. Unfortunately, the expansion of nail bars has led to a rise in the number using unqualified technicians and using an alternative polymerising agent called methyl methacrylate, or MMA. The agent is banned in nail bars in the United States, Australia and New Zealand, but there is no such ban in this country. The attractions of MMA to the operative is that it is much cheaper than EMA, at between a third and a sixth of the price, and that it forms the extensions more quickly, enabling non-standard nail bars to undercut the prices of the more reputable businesses.

The customer might not be aware until it is too late that MMA has serious disadvantages, however. The nail extension is much more rigid and does not adhere well to the natural nail, so the natural nail has to be drilled or etched with an electric file to help adhesion. Unlike EMA, MMA polymers continue to polymerise once attached, and the MMA penetrates and damages the nail bed. Long-term use of MMA is associated with respiratory problems and serious allergic skin reactions, and the staff using it usually protect themselves, including from the dust generated by the electric filing, by wearing gloves and masks. That ought to suggest to the customer that the use of MMA is not risk free.

The other consequence for the customer of using MMA is that the extensions are so rigid and so tightly stuck to the nail that if they get caught or jammed the natural nail can be ripped off. Pain is caused by the drilling, and the permanent ridging and damage to the natural nail and nail bed can take a long time to grow out. To compound matters, MMA extensions are much

more difficult to remove than those formed with EMA. *[Interruption.]* I can see that I am catching the attention of the hon. Member for Putney (Justine Greening). Several of the nail bar technicians who have contacted me have shown me graphic pictures of the damage that MMA has caused to the nails of patrons of sub-standard nail bars.

One way to deal with the problem is to improve awareness among the public, particularly young girls and women, of the damage caused by MMA and the importance of ensuring that, before anyone tampers with their nails, they check that the person is properly qualified. I know of one scheme that is to be launched shortly, which will allow potential customers to check a website for reputable nail bars in their area. I very much welcome that, but simply improving public awareness will not stop the continued spread of non-standard nail bars. Such bars not only risk affecting their customers but undercut the credibility of the whole sector and those who try to provide a high-quality service.

London councils within the M25 already have the power under part II of the London Local Authorities Act 1991—"Special treatment premises"—to license nail bars, and thus in principle to impose standards, including the appropriate level of qualification for staff, and restrictions on the chemicals that can be used. However, the contacts that I have had suggest that even in London, where licensing powers exist, council licensing officers may be focusing on hygiene—that is important, because hepatitis C can be spread through the use of electric drills on nails—and may not be aware of the specific risks of MMA or of the need to check the qualifications of staff.

Outside London, the situation is even more confused. Nail bars do not come within the scope of the Local Government (Miscellaneous Provisions) Act 1982, and therefore cannot be subject to licensing. Environmental health staff can give advice on the use of chemicals, but their only enforcement powers come through the Health and Safety at Work etc. Act 1974, which is relevant to employees, not to customers. Trading standards can respond to customer complaints, but most customers do not realise that the pain and damage that they experience because of MMA are not just a normal part of the process.

Although the problem of MMA seems well known in the industry, it seems to be below the radar of public authorities. In response to earlier comments that I have made in the House, the Department of Health has told me that it has made no assessment of the public health risk of MMA in nail bars, and the Health Protection Agency has no record of ill effects to customers or employees in the last three years. The HSE's health and safety laboratory is apparently reviewing health issues for technicians in nail bars, but it seems that, once again, the effect on the customer is being ignored—perhaps because damaged nail beds are not regarded as a terribly serious public health issue.

That is not satisfactory. Most of the customers of non-standard nail bars are likely to be young women and girls on low incomes, for whom the low prices that those businesses can charge make nail extensions seem much more accessible. Customers need to be protected from unscrupulous operators, which is why I propose that the powers already enjoyed by London councils to license nail bars and a number of other similar businesses should be extended to all local authorities across England.

The chief environmental health officer at my local council in Milton Keynes tells me that following an inspection, tattooists, for example, like to have a document from the local authority as it drives the cowboy operators out of business. It helps to bring in customers if businesses can advertise that they are registered with the local authority. Among qualified nail technicians, there is also strong support for regulation. At present, an astonishing 85 per cent. of nail technicians do not have NVQ level 3 qualifications, and have no incentive to invest in the training as it gives them no competitive advantage.

A proper licensing regime across England would protect customers, drive up standards and reward those businesses investing in training. It would mean that girls and young women could use nail bars and be confident that they would suffer no ill-effects.

Question put and agreed to.

Bill ordered to be brought in by Dr. Phyllis Starkey, Ms Celia Barlow, Mr. Clive Betts, Dr. Roberta Blackman-Woods, Richard Burden, Ms Sally Keeble, Fiona Mactaggart, Chris McCafferty, Kerry McCarthy, Martin Salter, Anne Snelgrove and Margaret Moran.

Nail Bars and Special Treatment Premises (Regulation)

Dr. Phyllis Starkey accordingly presented a Bill to make provision for the licensing of nail bars and premises where tattooing, cosmetic piercing and other prescribed treatments are carried out; and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 25 April, and to be printed [Bill 87].

Orders of the Day

Ways and Means

Order read for resuming adjourned debate on Question [12 March.]

AMENDMENT OF THE LAW

Motion made and Questions proposed,

(1) That it is expedient to amend the law with respect to the National Debt and the public revenue and to make further provision in connection with finance.

(2) This Resolution does not extend to the making of any amendment with respect to value added tax so as to provide—

(a) for zero-rating or exempting a supply, acquisition or importation,

(b) for refunding an amount of tax,

(c) for any relief, other than a relief that—

(i) so far as it is applicable to goods, applies to goods of every description, and

(ii) so far as it is applicable to services, applies to services of every description.—*[Mr. Darling.]*

Question again proposed.

Budget Resolutions and Economic Situation

4.28 pm

The Secretary of State for Environment, Food and Rural Affairs (Hilary Benn): I welcome the opportunity afforded by the Budget debate to discuss the challenge that we face as a country and as a world to move from our historical reliance on a carbon-intensive way of living towards a sustainable, low-carbon economy. Wherever we look, whatever goods and services we buy, whatever things we do, all of them have a carbon footprint. Carbon is currently central to our way of life, but we need that to change if emissions are to decline in the way that is necessary.

The UK has made progress. We have broken the link between economic growth and growth in carbon emissions. The economy has grown by about a quarter in real terms in the last 10 years, whereas greenhouse gas emissions have fallen by 7.6 per cent. But for the action that has been taken, greenhouse gas emissions would now be about 15 per cent. higher than they were in 1990; instead, we will more than meet our Kyoto target. However, as the facts of climate change become more stark, we will need to be even more radical, and the Climate Change Bill will enable us to do just that. For the first time anywhere in the world, a legal requirement will be placed on the Government of the day to ensure that the country's carbon account does not exceed its carbon budgets. Budgets will be set in legislation.

Mr. Peter Ainsworth (East Surrey) (Con): I am extremely grateful to the Secretary of State for giving way so early in his speech. He has just mentioned the carbon budgets, but what about the Budget? Can he give us some idea of the total amount of carbon reduction that he expects as a result of the measures announced in the Chancellor's recent Budget?

Hilary Benn: If the hon. Gentleman will bear with me, I shall give some of those figures in the course of my speech. The facts, however, are that the independent climate change committee, the shadow version of which met for the first time last week, will of course propose the first of the three carbon budgets at the end of this year. At the same time, it will advise the Government, as my right hon. Friend the Chancellor outlined last week, on whether we should go further than the 60 per cent. reduction by 2050 and strengthen it to an 80 per cent. reduction.

Our task now is to ensure that the UK meets those budgets. That will require a contribution from every business and every household in the land as well as co-ordinated efforts across government. That is why the Chancellor announced last week that the first three carbon budgets will be set alongside the Budget next year. That is a sign of the Government's determination to put reducing carbon dioxide emissions at the centre of policy making and of the economy.

Steve Webb (Northavon) (LD): The Secretary of State will be well aware that measuring the right thing is critical. He will know that the narrow measure used for Kyoto tells one story while the broader measure in the nation's environment accounts, produced by the Office for National Statistics, tells a different story. Does he accept that on that basis, according to a comprehensive measure, CO_2 emissions have not fallen at all since 1990 and have increased since 1997? Is that not a cause for grave concern?

Hilary Benn: According to the measure that we use to report to the United Nations, because that is the way it asks for the figures to be submitted, it is clear that UK emissions of greenhouse gases have fallen by 15.4 per cent. and emissions of CO_2 by 6.4 per cent. We also report to the UN figures on emissions from aviation and shipping, which are included in a footnote when they are published. As the hon. Gentleman will be aware, the ONS does its own estimate in the environmental accounts. That calculates emissions from flights in a different way and also includes estimates resulting from UK citizens who live and work in other countries. It clearly would not make sense for those figures to be included in the UK totals that are reported to the UN framework convention on climate change. The way in which we report fulfils the requirement that the UN places on us, and we are making the progress that has been set out. Aviation and shipping are issues that we need to deal with internationally.

The changes that we are putting in place mean that 12 months from now—only a short time—meeting our carbon budgets will be on an equal footing with meeting our financial budgets. The House will, I am sure, appreciate that that is a profound change in the way in which we do things. As the first of its kind in the world, the Climate Change Bill is also a sign of the UK's international commitment. As the House will be aware, the world agreed in Bali just before Christmas to start negotiations on a new global climate deal to take us beyond 2012.

Getting the United States of America, Australia, China and India into formal negotiations on a new deal is a huge step forward, but the hard part starts

now. We have to get every country in the world to play its part. That is why leadership in Europe is so important. As we have just heard from my right hon. Friend the Prime Minister, the European Council has reaffirmed its commitment to cut greenhouse gas emissions in Europe by 20 per cent. by 2020, with legislation next year. Part of the agreement is that Europe will go further, with a 30 per cent. reduction by 2020, if an international agreement is reached.

I am sure that the House will recognise that international leadership by any country is not enough. We can bring to the negotiating table only that which we can contribute at home. That means that the UK must take bold action both to make possible progress in the negotiations and to reduce our carbon footprint.

Our approach to reducing emissions across the economy—in our homes, our businesses, the public sector, transport and energy supply—is based on three principles. The first is pricing carbon, through a trading tax or through regulation, to get the most cost-effective reduction. The second is encouraging innovation in low-carbon technologies, and the third is removing barriers to action, including encouraging long-term behavioural change. The Budget does those things by setting out the steps that we intend to take in each of those areas. Each of us as individuals has a role to play in tackling climate change.

Mr. Nick Hurd (Ruislip-Northwood) (Con): Before the Secretary of State gets to the meat of the three principles, may I point out that both he and the Chancellor in his Budget have been entirely silent about using taxpayers' money to buy carbon credits in overseas markets to allow us to fulfil our ambitious carbon targets? The National Audit Office estimates that the cost to British taxpayers will be about £5 billion by 2020; what is the Government's estimate?

Hilary Benn: It will depend on the decision that the Government take about the use of international credits. As the hon. Gentleman will be aware, the Bill provides for the Committee on Climate Change to give us advice on the use of international credits. The Government will have to look at that advice in due course, when we receive it. In another place, there was a lively debate about the use of international credits, and we will no doubt have such a debate in the House when the Bill comes before us. As I am sure the hon. Gentleman accepts, it is entirely legitimate to make progress partly by using international credits because in the end, from the world's point of view, it does not matter where emissions are saved, as long as they are saved. That is why the Government's view is that carbon trading and the purchase of credit have an important role to play.

Some 40 per cent. of emissions are the result of choices that we make as individuals, so the Government want to help people to make low-carbon choices, and to ensure that our homes and products are working towards low-carbon living. That is why we launched a big public awareness campaign last year to encourage people to act on CO_2. I saw that campaign working for myself in Leeds last Friday. The online carbon calculator has already been visited by about 800,000 people. It is practical and simple; it helps us as individuals to understand what our own carbon emissions are, and gives practical ideas on how to reduce our carbon footprint.

Through the carbon emissions reduction target we have obliged energy companies to double the amount of energy-saving measures that they install in people's homes from this April, which means that they will reach up to 8 million households. That will help to save 4 million tonnes of CO_2 a year by 2011, and deliver a typical saving of £90 on fuel bills. The green homes service, which is to be launched next month, will provide people with comprehensive advice on how they can reduce their carbon footprint, and will connect people with the offers that are available from energy companies and with other support. We will put £26 million into that service.

We will become the first country in Europe to phase out high-energy light bulbs. That is to be completed by 2011 and will save up to 5 million tonnes of CO_2 a year that would otherwise be produced through UK electricity generation. We have introduced regulations to improve the energy efficiency of new homes. Today's buildings are 40 per cent. more energy efficient than those built before 2002, and 70 per cent. more efficient than those built before 1990. In under a decade, all new homes will be zero-carbon. We will set out the definition of a zero-carbon home for the purposes of the 2016 target by the end of 2008, following a consultation in the summer. The Government are determined to enable business and the public sector to play their part in a low-carbon Britain.

Mr. Henry Bellingham (North-West Norfolk) (Con): Has the Secretary of State looked any further into giving householders an incentive, such as a reduction in council tax, for embarking on microgeneration—for example, for installing a small windmill, a ground source heat pump or solar panels?

Hilary Benn: As the hon. Gentleman will no doubt be aware, we are considering the role that feed-in tariffs could play in ensuring that people do the things that he sets out. It is clear that we need to find more ways to incentivise and encourage that kind of investment. The experience of other European countries that have adopted feed-in tariffs for microgeneration is that it brings forward investment: the renewables obligation certificates work better for large-scale generation.

I wish to mention the climate change levy, as it was opposed by the Opposition. It is forecast to reduce emissions by 12.8 million tonnes a year by 2010, and the climate change agreement is forecast to reduce emissions by 7 million tonnes a year by 2010. The carbon reduction commitment will cover the non-intensive business sector. Up to 5,000 large public sector organisations and businesses, such as banks and supermarkets, will participate in the scheme. It will save at least 4 million tonnes of CO_2 per year by 2020 and will save the organisations involved some £755 million through lower energy bills.

I believe in the importance of Government leadership, and because of that all Government Departments will participate in the scheme. However, we need to go further.

Kelvin Hopkins (Luton, North) (Lab) *rose—*

Mr. John Redwood (Wokingham) (Con) *rose—*

Hilary Benn: I give way to my hon. Friend.

Kelvin Hopkins: My right hon. Friend referred to feed-in tariffs, which we welcome—they cover revenue costs and help with day-to-day costs. However, the capital cost of installing solar panels, for example, is very high. There was a Government scheme for 50 per cent. grants; if that were available generally, I am sure that solar panels would rapidly be installed across the whole country.

Hilary Benn: Following the consultation that the Government are going to undertake on them, feed-in tariffs would encourage people to invest and encourage others to lend money for people to invest, by providing the income stream for the years ahead. As I have said before, I think that way of doing things is better than the Government giving out grants to achieve the same effect. The tariffs would incentivise the system; that is why the Secretary of State for Business, Enterprise and Regulatory Reform has announced that we will consider them.

However, we need to go further still. That is why the Chancellor announced in the Budget our aim that all new non-domestic buildings be zero-carbon from 2019, with the public sector leading the way. It is already the Government's aim for all new schools to be zero-carbon from 2016; we want all new public sector buildings to be zero-carbon from 2018 and we will establish a taskforce to advise on the timetable and on how to reduce carbon emissions in the intervening period. To help public sector bodies in England, including local authorities and hospitals, I have already announced an extra £30 million over three years in interest-free loans for energy-efficiency projects through the Salix scheme.

Cars and lorries are the second largest source of CO_2 emissions in the UK. Changing the transport sector to meet the demands of business and personal travel while reducing carbon emissions is clearly important. That is why the Government have provided sustained year-on-year investment in public transport. One consequence has been that passenger numbers on our railways are up—from 735 million passengers in 1994-95 to 1.16 billion in 2006-07. That figure is as high as it has been since the late 1950s to early 1960s.

We are investing in and promoting new clean technologies for transport, including a £20 million fund to help public sector organisations to buy environmentally friendly vehicles. The House will have seen the King review, published at the same time as the Budget. It considers even more radical steps to decarbonise transport, especially cars, in the next 25 years. In response, the Government have made clear their support for an EU-wide target for vehicle manufacturers to reduce average CO_2 from new cars to 100 g per kilometre by 2020. That would be on top of the provision for 130 g of CO_2 per kilometre currently being discussed in Europe. Furthermore, the Budget outlined a restructuring of vehicle excise duty to encourage motorists to purchase fuel-efficient vehicles.

Mr. Geoffrey Cox (Torridge and West Devon) (Con): Can the Secretary of State suggest how a rural farmer or country dweller will be able to do without his Land Rover or other 4x4 vehicle and escape the penalty that the Government are imposing on him by way of increased vehicle excise duty?

Hilary Benn: From memory, I think that the best-in-class 4x4 has an emissions figure of 151 g of CO_2 per kilometre. If the hon. and learned Gentleman looks at the new table for vehicle excise duty, he will see that that figure is well below some of the others. The aim of the change to vehicle excise duty is to encourage people purchasing new vehicles to choose the most fuel-efficient and least polluting in class. That is why individuals who buy the most polluting, fuel-hungry vehicles will have to pay £950 in the first year, 2010-11, which is more than double the current rate, while those who buy the cleanest—those emitting 130 g of CO_2 or less per kilometre—will pay nothing.

Recognising that there is a genuine debate about the sustainability of biofuels, we announced in the Budget a switch in support from the existing biofuels subsidy towards the renewable transport fuels obligation, which contains sustainability criteria. That is why my right hon. Friend the Secretary of State for Transport and I have asked Ed Gallagher, who chairs the Renewable Fuels Agency, to lead a study of the wider economic and environmental impacts of biofuel production, including the impact on fuel prices. Together with the changes to company car taxation, all these steps are sending a clear signal that choosing the cleanest and most fuel-efficient vehicle is, in every sense, the sensible thing to do.

Bill Wiggin (Leominster) (Con): How many family vehicles has the Secretary of State been advised that the car companies are intending to produce that will fit within the low-carbon bands?

Hilary Benn: I will be happy to write to the hon. Gentleman with a list of the best in class for all the different categories showing what vehicle can be purchased and what are the CO_2 emissions in grams per kilometre for those vehicles. The change is intended, first, to incentivise the purchase of low-emission vehicles and, secondly, to incentivise the manufacturers to invest more effort in producing more vehicles that have lower emissions. That is one of the changes that must be made if we are to make progress in meeting the aims of the Budget. Although I understand the Opposition's wish to raise these points, in the end this is about making choices. It is all very well to talk about the need for green taxation, but when measures come along to create an incentive structure for vehicles in order to lead to a change, the House should support that.

Mr. Peter Ainsworth: I am sorry to return to the same point, but if the Secretary of State cannot give us a figure for the overall carbon reduction impacts of the Budget, can he give us just the figure for the changes to car taxation? If we are to be invited to support these measures, it is important to know what the impact is going to be.

Hilary Benn: The reduction relating to the change in car taxation is some 500,000 tonnes of CO_2 a year; that is the figure that I have before me. Of course, what it is going to mean in reality will depend very much on the choices that individuals make. Road transport is only part of the picture. In the 2007 pre-Budget report, the Government announced that air passenger duty would

be replaced with a per-plane rather than a per-passenger tax better to reflect the environmental costs of aviation, and we said that in order to strengthen the environmental signal through taxation we would increase the tax by 10 per cent. from 1 November 2010.

Mr. Ainsworth: I may be able to help the Secretary of State out at this point. I think that he may have inadvertently misled the House. The figure of 500,000 tonnes of carbon reduction arises from the deferred increase in fuel duty, not from the changes to car taxation. I would be grateful if he could give us the figures for the latter.

Hilary Benn: The hon. Gentleman is absolutely right. I apologise for that mistake. The answer on vehicle excise duty will depend on the decisions that individuals take in making their purchases. It is therefore quite difficult to forecast what the changes will be, but the reduction as a result of fuel duty is indeed the figure that I gave the House a moment ago.

Let me turn my attention to the energy sector. The UK has signed up to an EU-wide target for 20 per cent.—

Mr. Hurd *rose—*

Hilary Benn: If the hon. Gentleman will bear with me, I want to make a little progress, having been generous is giving way.

The UK has signed up to an EU-wide target for 20 per cent. of energy production to come from renewable sources by 2020. In the summer, the Government will launch a full consultation on proposals for meeting the UK's share of the target. We will look at all options for doing so, from things such as the Severn barrage, which could meet 5 per cent. of the UK's electricity supply needs, to offshore wind—the UK is now the No. 1 location for such investment in the world and is forecast to overtake Denmark as the country with the most offshore wind generation capacity—to microgeneration, which we have just discussed, along with our commitment to consider feed-in tariffs in that area.

The EU emissions trading scheme is at the heart of the plan of the UK and Europe to deal with climate change. It creates a price incentive for generators to reduce their emissions. To ensure that the EU ETS sends the strongest possible signal to the power sector, in phase 3 the UK will go to a system of 100 per cent. auctioning in the large electricity producers sector.

Stewart Hosie (Dundee, East) (SNP): On the issue of offshore wind generation, will the Government finally address the unfairness and imbalance in connectivity charges to the grid—the subsidy received in the south versus the massive cost to connect in the north-west of Scotland? We cannot gain from offshore wind capacity if the unfairness in the connectivity charge is not removed.

Hilary Benn: The fact that we are now the No. 1 location for investment, and that we will overtake Denmark as the country with the largest installed offshore wind capacity, shows that, despite the issue the hon. Gentleman raises, we are making progress in putting more wind capacity in place to meet our need for renewable energy in the years to come. No doubt the debate will continue about the most effective way to allow more capacity to come on stream. When one talks to renewable energy companies, one finds that they are most concerned about planning. That is a special case as far as onshore wind is concerned, but as the hon. Gentleman will be aware, the Government are taking steps to address that.

We are introducing a wide range of low-carbon technologies as part of the £400 million domestic environmental transformation fund. The Carbon Trust technology programme will receive more than £90 million to introduce new energy technology, such as offshore wind, third-generation photovoltaic power, marine energy and biomass heating. During the next three years, the Government will provide about £10 million for a new anaerobic digestion demonstration programme.

Carbon capture and storage will be vital if we are to deal with the problems facing the world, and another example of the UK taking the lead in the demonstration of technology on a commercial scale is the launch of a competition to design and build the world's first post-combustion CCS power station. We are currently the only European Union country committed to fund a commercial-scale CCS project, and we will shortly launch a consultation on what it would mean for a new coal-fired station to be capture-ready, and on whether all new fossil-fuel power stations should be required to demonstrate that they are capture-ready.

Gregory Barker (Bexhill and Battle) (Con): Is the Secretary of State not aware of the BP Abu Dhabi CCS project, which was announced at the world future energy summit in January? It will be up and running by 2012, when the Government's competition will barely be over.

Hilary Benn: I am indeed aware of that. I was referring to European Union countries building demonstration projects in the EU, and I said that we are the only EU country doing that in the EU. As the hon. Gentleman knows, we are also funding, alongside other countries, the near zero-emissions coal demonstration project—NZEC—in China. We have to demonstrate that post-combustion CCS works because we have to fit it in all existing coal-fired power stations and in those built during the months and years ahead owing to the thirst for energy in developing countries.

Mr. Hurd: I attach the same importance to clean coal technology as the right hon. Gentleman, but will he clarify whether the Government intend to attach any carbon capture and storage conditions at all to the proposed coal-fired power station at Kingsnorth, and if not, why not?

Hilary Benn: My right hon. Friend the Secretary of State for Business, Enterprise and Regulatory Reform will make that decision, which he will announce in due course.

Recycling saves the equivalent of approximately 18 million tonnes of CO_2 a year and our waste strategy, which was published last year, sets out how we can recycle or compost half of all household waste by 2020. As well as recycling, reducing our overall demand

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for scarce natural resources is essential if we are to meet the challenges that face the natural environment. A disposable society is not a sustainable society. That is why the 13 billion, free, single-use, plastic and other bags that are distributed in the UK each year are a symbol of a disposable society. There has been growing public concern about that symbol and the Government, using the Climate Change Bill, will legislate to require retailers to impose a charge if they do not take voluntary action.

Steve Webb: The Secretary of State has been generous in giving way. He briefly mentioned business recycling and then got on to carrier bags. Is the Department not cutting money to support organisations such as the Waste and Resources Action Programme and the National Industrial Symbiosis Programme, which help businesses to recycle? Is there not a disjunction between the right hon. Gentleman's rhetoric, with which we all agree, and the reality—the cuts that the Department is making?

Hilary Benn: No, there is no disjunction. We have put a considerable amount of money into several such organisations and we continue to fund them. However, we must deal with the issue of whether, when it is in the interests of business to reduce carbon emissions and improve recycling, it is right for the Government to continue to pay for free advice to be given to it. Is it not reasonable to ask business to begin to pay for some of that advice? I have made the decision that it is reasonable to ask business to contribute to the cost of getting advice. We have set our budget on the basis of that policy and I am clear in my mind that it is right.

In addition to our changes to deal with plastic bags, landfill tax will increase by £8 a tonne from 1 April and by that amount each year until at least 2010-11. The aggregates levy ensures that the external costs associated with the exploitation of aggregates are reflected in the price. It will increase to £2 a tonne to maintain its environmental impact.

I want to consider the impact of changes in fuel price on those who find it difficult to pay their bills. As the House knows, more than £20 billion has been spent on benefits and programmes since 2000 to help to remove people from fuel poverty. That has led to 4 million households being removed from fuel poverty since 1996—the figure is down from 6.5 million to around 2.5 million, although the rise in energy prices means that it is rising again. Further action to help to tackle fuel poverty and vulnerable groups is therefore needed.

Energy companies spend approximately £50 million a year on social programmes and the Government want that figure to increase to at least £150 million a year. We will work with companies to achieve that, and legislate if necessary.

Alan Simpson (Nottingham, South) (Lab): Will my right hon. Friend go back to the figures that he used? Does he accept that the current figure for the number of households back in fuel poverty is estimated to be 4 million, and that the challenge that faces us is that the numbers that the Government's Warm Front programme took out of fuel poverty are being overtaken by those thrown back into it, simply because of the scale and pace of rises in energy costs?

Hilary Benn: That is the case, as I just acknowledged, because of the substantial increase in the prices that energy companies charge and that consumers have to pay. That is why my right hon. Friend the Chancellor announced in the Budget his wish for energy companies' expenditure on helping vulnerable customers through their social programmes to increase. It is also why he drew attention to the fact that customers who use prepayment meters typically pay around £55 more on their energy bills than those who use standard credit and £144 more than those who pay by direct debt.

Harry Cohen (Leyton and Wanstead) (Lab): My right hon. Friend has been generous in giving way. A wish is not the same as a requirement for energy companies to put in that money for vulnerable households. What will the Government do to monitor the position? Will they introduce a requirement? It has been reported that there was an argument in the Cabinet about whether there should be a requirement. I would be interested to know the Secretary of State's position on that.

Hilary Benn: I will happily tell my hon. Friend what my view and the Government's view is. We think it is now time to tackle the issue and we are looking to Ofgem and the suppliers to bring forward proposals for treating prepayment meter customers more fairly. However—this is the answer to his question—if sufficient progress is not made by next winter, the Government are prepared to use statutory powers to reduce the differential between prepayment and other forms of payment.

In the meantime, as my hon. Friend and the House will be aware, we are providing immediate help to pensioners who face pressures from higher energy bills this year, by raising the winter fuel payment for the over 60s from £200 to £250 and for the over 80s from £300 to £400. Some 9 million pensioner households will be better off as a result. I simply remind the House that before 1997 there was no winter fuel payment at all.

Mr. Patrick McLoughlin (West Derbyshire) (Con): Will the Secretary of State give way?

Hilary Benn: I am going to bring my remarks to a conclusion, as I have been very generous in giving way.

One the reasons why today's debate is welcome is that it gives us the chance to discuss the change that is to come. In the rest of this century, debating and deciding on our carbon budget will be as important as doing so on traditional financial budgets, and arguably even more so. The measures that I have set out in my speech have shown the practical steps that the Government are taking to enable the country to reduce its carbon emissions. It is for that reason that we have a strong record on the environment; but I recognise, as does the House, that we will all need to do more to help build a low-carbon Britain. The Budget shows exactly how and why we are determined to do that.

5.1 pm

Mr. Peter Ainsworth (East Surrey) (Con): I have to take issue with the Secretary of State's final sentence. He barely spoke about the Budget in his remarks and the Budget hardly deals with the pressing environment challenges that we face at all. On the other hand, I do not doubt for a moment his integrity and sincerity on such matters. My hon. Friend the Member for Bexhill and Battle (Gregory Barker) and I heard him speak at the Chemistry Club last week. He gave a passionate and committed speech about the environment and the importance of living within natural limits, which is a lesson that the whole of humanity has to learn. He said:

"We are living beyond our means",

which is true in respect of the environment, but unfortunately it is true of the Chancellor, too, in respect of the economy. That is one of the dilemmas that we face.

The Budget was supposed to be the great green Budget. The headline in *The Guardian* on 10 March ran "Darling plans greenest budget yet". We expected it, we wanted it and we were all prepared for it. Indeed, the Chancellor warmed us up for it last December, when he said:

"Sustainability will be at the heart of the next Budget. This is not an optional extra, it is essential to all our futures."

In his Budget speech, the Chancellor cranked up the excitement further, saying:

"our greatest obligation to the future must be to tackle climate change."—[*Official Report*, 12 March 2008; Vol. 473, c. 295.]

I agree, so I was looking forward to the greenest Budget yet. We needed the greenest Budget yet, because carbon pollution in this country is higher than it was in 1997. On that most fundamental of measures, the Government have failed.

To say that I was disappointed by the Budget is a huge understatement, but I was not alone in being disappointed. The director of Friends of the Earth said:

"He has merely tinkered at the edges",

continuing,

"the overall package falls a long way short of what is required. We urgently need real political leadership on this issue".

The executive director of Greenpeace said:

"His measures have failed to match the scale of the challenge we face".

Perhaps the headline from the Green Alliance summed it up best: "Green Budget? What Green Budget?"

I am happy to take as my text for this debate the press release issued by the Department for Environment, Food and Rural Affairs on Budget day. It is headed "Benn welcomes Budget 2008" and sets out the Department's response to the measures announced by the Chancellor last Wednesday. I suspect that it was issued through gritted teeth. The opening paragraph of the press release appears to be have been drafted before the Department knew what was in the Budget, and reads:

"The Chancellor today set out the 2008 Budget which includes measures to tackle climate change, the most serious and pressing environmental challenge the world faces. Setting out new policies to reduce emissions across all major sectors of the economy, this Budget will ensure the UK continues to lead the climate change agenda internationally while the government continues to take action to protect the UK's natural environment."

There are no policies in the Budget to

"reduce emissions across all major sectors of the economy".

Or, if there are, I would be grateful if the Secretary of State could tell us what they are. If there had been any, he might have been able to tell us by how much he expected carbon emissions to be reduced as a result of the Budget measures, but he was unable to do so.

The next paragraph of the press release has a faltering tone and conveys a sense of putting on a brave face. It states:

"Following the Budget statement, Hilary Benn said: 'This Budget demonstrates how seriously the Government takes the environment, with clear incentives for action, for example the new vehicle excise duty bands and charges for plastic bags, and measures to reduce emissions, for example zero carbon new commercial buildings.'"

I shall say more in a moment on the new vehicle excise duty bands, charges for plastic bags, and zero-carbon new commercial buildings, but let us first reflect on that list of highlights. It reveals just how pathetic the Chancellor's measures are in response to

"the most serious and pressing environmental challenge the world faces".

It contains only a car tax, a charge on plastic bags—perhaps—and a promise to do something about commercial property in 2019.

Let us move on from the headlines to the nitty-gritty, such as it is. Most of it comprises familiar, heated-up re-announcements, or has been borrowed by Conservative party policy—we are always pleased when the Government do that—or will merely have a marginal impact on climate change. The press release continues:

"The Green finance measures in the Budget include: Laying the ground work for the introduction of five-year carbon budgets".

That is an achievement not of the Budget but of the Climate Change Bill, which was introduced only after a concerted campaign by green groups, the Conservative party, and other Opposition parties. We support the Climate Change Bill, and I am pleased to say that those in another place have introduced some important amendments, which I trust the Government will not seek to overturn when the Bill comes to our House.

A report entitled "UK greenhouse gas emissions: measurement and reporting", published by the National Audit Office at the weekend, has thrown some worrying light on the way in which the Government measure the carbon that we produce. It seems that we might be using dodgy data. The NAO report raises profound questions about the credibility of the Government's approach to reducing carbon emissions, which threatens to send its climate change strategy off course. If the measurement of carbon and other greenhouse gases is flawed, the whole process of setting targets for cutting emissions is undermined.

To make matters worse, there has been an extraordinary degree of ambiguity about the targets that the Government have set themselves. They repeatedly boast that the one target that they have met is the unambitious Kyoto target, but even that is now being called into question. It all depends on the system of measurement used. It is unclear whether the confusion is accidental or whether there has been a deliberate attempt to create wriggle room. The Lib Dem spokesman was right to draw attention to this earlier, and to point out that, on one basis of measurement, we have not

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reduced our greenhouse gas emissions at all since 1990. The existence of two quite separate carbon accounting systems would do credit to Enron.

There is an urgent need to rationalise the reporting system, so as to make it coherent and consistent. The NAO report reveals not only that different Government Departments use different methods to measure their carbon emissions, but that it is possible, within Departments, for two separate systems to be used to make different points.

It is all very well for the Chancellor to announce in the Budget that next year will see the establishment of the first carbon Budget, but he might also have pointed out that there is at present no true or fair means of validating it.

Hilary Benn: Will the hon. Gentleman confirm to the House that the figures that we report to the United Nations framework convention on climate change follow the guidelines that are set down by the intergovernmental panel on climate change, and that we do that in the way in which the panel has requested?

Mr. Ainsworth: I accept that. However, this becomes more difficult when that method of measurement is applied to UK emissions, as aviation and shipping are excluded. As a result, it does not give a true and fair picture of our emissions. In the absence of reliable and honest reporting, nobody will have confidence in the system. In view of the seriousness of the issue, the Secretary of State should address it as a matter of urgency when he responds, as no doubt he will, to the National Audit Office report.

Beyond the problems of accounting for domestic carbon emissions is the revelation that the Government are planning to allow up to half of our progress towards meeting our carbon reduction targets by 2020 to be met by buying our way out of the problem with overseas credits. No mention was made of that in the Budget and Ministers have not mentioned it at all. We now know, thanks to the NAO's work, that the Office for National Statistics does not have enough faith in the reporting standards of the overseas carbon credit market to include international credits in the official national statistics. Any problems with the accuracy of measuring our own domestic carbon pollution are magnified when we try to apply measurement on a global scale.

I know that this may seem rather nerdy, but it is fundamental to the Government's credibility on the whole climate change agenda—an agenda that, in the words of the Chancellor, is "essential" to "all our futures". Do the Government plan to buy their way out of dealing with climate change; will they put a cap on the indulgences that we can buy from abroad; or have they instead a plan for a dynamic transformation of our country's economy towards low-carbon, prosperous, greener and safer industries that will be truly essential to all our futures and truly essential to the well-being of our children and grandchildren? It is essential if their carbon budgets are to have proper credibility that the Government act urgently to clear up the questions now being raised about dodgy data and the purchase of foreign indulgences.

The next line in the DEFRA press release refers to

"reform of car vehicle excise duty rates and bandings including the introduction of new bands from 2009 to reward drivers of the cleanest cars, and higher first year rates in 2010-11 to influence purchasing choices".

We can agree that, in principle, it is better to influence choices at the point of purchase—at the point of choice—than to penalise people for decisions that they have already taken, but there is a world of difference between genuine green taxation and stealth taxation. It is a difference that the Government do not seem to get and, as a result, a difference that the public do not get either.

As an Ipsos MORI report suggested last year,

"the public appear far from convinced that measures announced under the banner of climate change are actually intended to benefit the environment...Trust is a key factor impacting on the ability of government to make the case to its electorate about any particular policy measure, and eco-taxation... suffers from the stigma of 'stealth' taxation".

We need to shift the burden of tax away from good things such as families and work and on to bad things such as pollution, especially carbon pollution.

The key point is not to raise the overall burden of taxation, so what does the Chancellor do in his Budget? He proposes increasing car taxes to generate an additional £735 million in revenues while the tax cut on low-carbon cars will give back to us £15 million. To put it another way, the Chancellor is raising 50 times more tax than he is cutting. In the light of that fact, it is extraordinary for the Chancellor to claim that an average family will be no worse off as a result of those changes, when seven in 10 motorists will pay more in vehicle excise duty.

Stewart Hosie: Is not the position actually worse than that? In the next two years, the take on the vehicle excise duty change will be £1.2 billion. Given that amount of extra yield, does it not indicate to the hon. Gentleman that the Government are not planning for any behavioural change? It is indeed just a tax.

Mr. Ainsworth: I think that the hon. Gentleman makes an extremely good point. That is one of the reasons why the Secretary of State had such difficulty answering my questions earlier.

What will all the extra tax do for the environment? That is what we need to know. According to *The Guardian*, it will help reduce CO_2 emissions from the transport sector by less than 1 per cent. So, it is not a green tax; it is not a meaningful part of the solution to the greatest challenge that we face. It is a stealth tax. I cannot think of a better way to alienate the public from the whole green agenda than dressing up stealth taxes as green.

Steve Webb: Clearly, there are two points here: what happens to the money and the structure of the tax. If all the money raised through the increased tiered VED had gone on some other tax cut, would the hon. Gentleman have considered that, as a package, a good thing? Does he support VED being tiered, particularly for new cars, provided that the money is spent cutting other taxes?

Mr. Ainsworth: We have supported the banding, and I have said that we support the principle that if we are to have green taxation, it should apply at the point of

choice, not retrospectively. So, if I have understood the hon. Gentleman's question correctly, I think the answer is yes. However, the important caveat that we have made clear is that any revenues from additional green taxes should not just disappear into the Exchequer, but should be used to cut taxation on families and on other things that help society and help to make the country a better place.

I believe that people, by and large, are genuinely anxious about climate change and keen to be part of the solution. A responsible Government would provide leadership and encouragement, not use the cover of eco-taxation simply to raise funds because they have been spending beyond their means. Cynicism of that kind is deeply damaging to the green cause.

The next announcement is the plan to support auctioning 100 per cent. of allowances for large electricity producers in phase 3 of the EU emissions trading scheme. We support that in fact, we have been calling for it for quite a while—but what do the Government intend to do with the proceeds of the auction, which are likely to run into billions of pounds? Will they be earmarked for investment in green technologies or simply be pocketed by the Chancellor? Perhaps a Treasury Minister will answer that question now, or, if they prefer, when they speak later in the debate. Later, then.

Next is the setting up of the new green homes service. I say that it is new, but we had already heard about it last year—from the Secretary of State, I think, and from the Prime Minister himself. The £26 million allocated to the green homes service, spread across the country, would mean each household receiving £1-worth of advice on how to green their home. Is there not already advice available on a multitude of websites and from a multitude of Government-sponsored agencies and supported organisations, from the Energy Saving Trust to Warm Front and Warm Zone, which I had the pleasure of visiting up in Newcastle at the weekend.

Then we have this:

"Incentivising only the most sustainable biofuels, by shifting support away from the duty differential to the Renewable Transport Fuel Obligation in future years".

As the Secretary of State knows, there is absolutely no benefit to the task of dealing with climate change if renewable fuels are grown at the expense of the rain forest.

We on the Conservative Benches have a serious objection to the renewable transport fuel obligation in its current form because we believe that there is a real danger that it will do more harm than good—damaging some of the most important and fragile habitats on the planet, endangering already-threatened species such as the orang-utan and enhancing the risk of food shortages.

DEFRA's own chief scientist has warned that

"the way we are currently producing biofuels is not the way to go".

The implication in the Budget that axing the duty differential on biofuels and placing all our hopes on the renewable transport fuel obligation will solve our problems altogether is naive or even deceitful. The truth is that, by cutting the duty differential, the Chancellor will save some £550 million in 2010-11. It has nothing to do with the environment and everything to do with the fact that the Chancellor is living beyond his means.

Here is the next item in this sad litany:

"Increasing climate change levy rates in line with inflation".

That is okay, as far as it goes, but the truth is that the climate change levy does not do the job—it does not do what it says on the tin. It does not even live up to its own name. It is a tax on industry's use of energy, and a largely ineffective one as well. We have been saying that for some time.

Only the other week, the Select Committee on Environmental Audit found that the climate change levy has had

"relatively little effect on business emissions".

The way in which the Prime Minister clings to the climate change levy as if it is some kind of lifeline to save his green credentials is increasingly pathetic and desperate.

Next is the re-announcement of aviation duty to replace air passenger duty. That is not new, but I have no problem with the measure since it was a Conservative proposal in the first place. Then there is

"an ambition for all new non-domestic buildings to be zero carbon from 2019".

I applaud that ambition. However, there is a yawning chasm between the Government's ambitious rhetoric and the reality of delivery. It will take a Conservative Government to ensure that that particular ambition is turned into a reality.

Next there is

"extending the Stamp Duty Land Tax exemption from zero carbon homes to new flats, retrospectively from 1 October 2007".

There is some extending to do here, because by the end of 2007, the number of homes throughout the country claiming zero stamp duty on the basis of being zero-carbon was six.

The final item in DEFRA's highlights of Labour's greenest Budget yet is an increase in the aggregates levy from 1 April 2009, which is unexceptional. However, slipped in before the news about that levy is:

"Government legislation and the imposition of charges if retailers do not take voluntary action to eliminate single-use carrier bags".

That was the thing that was designed to grab the headlines and to act as a smokescreen to cover the rest of a limp, half-hearted, piecemeal, unambitious and disappointing set of rehashed and boring announcements.

The DEFRA press release does not tell the whole story, however. This eye-catching initiative proposes the possibility of legislation if "sufficient progress" to reduce the use of plastic bags is not made voluntarily. What do the Government mean by "sufficient progress"? Is it a reduction from the present number of plastic bags—about 13 billion—to 12 billion, to 10 billion, or to 5 billion? We have no idea what "sufficient progress" is. Industry has no idea. How can the Government expect it to deliver voluntarily when it is not being told what it is expected to deliver? The DEFRA press release talks about action "to eliminate" the use of plastic bags. It is up to the Government to clarify the target for which the industry should be aiming voluntarily to avoid legislation. The big highlight of Labour's greenest Budget yet was a

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vague threat about plastic bags, which has nothing to do with the Budget or the Chancellor anyway. This was a serious missed opportunity.

While I accept, and welcome the fact, that there are hopeful signs that Ministers are executing a U-turn on our proposal to introduce electricity feed-in tariffs, which could transform the economics of renewable energy in this country and create a huge number of new jobs, where are the green individual savings accounts to encourage people to invest in technologies that will help to combat climate change? Where is the plan for a new market exchange for environmentally responsible companies? Where is the proposal for an effective replacement for the climate change levy that can play a proper part in helping to price carbon across the economy? Where is there any sign that the Government recognise the need to create incentives to capture and use waste heat from power generation? Where is the vision? Where are the ideas that will propel Britain to the forefront of the huge commercial opportunity for low carbon growth that is opening up across the world? That opportunity is being exploited by France, Germany, Japan and the United States, but Britain is being left behind. The answer is not in this Budget and not in this Government.

We have an environment Department that cannot even control its own budget. When it is not cutting support for environmental schemes, it spends its time losing arguments with other Departments. We have a Government who are tinkering at the margins, fiddling about with unpopular stealth taxes, and failing either to deliver properly joined-up policies on climate change, or to protect the environment.

Faced with our greatest obligation to future generations and the most serious and pressing challenge that the world faces, it is pathetic to wag a finger at plastic bags while simultaneously waving through plans to build a new generation of coal-fired power stations without carbon capture and storage. It is pathetic to scowl at people with Mondeos and people carriers while simultaneously ushering in a huge increase in aviation capacity. It is a betrayal of trust to dress up stealth taxes as green taxes and it does not fool anyone. This was a pathetic, boring and unambitious Budget from a Government who have run out of ideas, run out of money, and overstayed their welcome.

5.25 pm

Alan Simpson (Nottingham, South) (Lab): I would normally try to make my contribution to the Budget debate on the day on which the Chancellor delivered his statement, but unfortunately I was laid low by a bug from which I am still struggling to recover. If I think that I have had a difficult week, however, it must be said that the world outside has had a dramatically catastrophic week in comparison with mine.

Perhaps it will prove helpful to me to make my speech today rather than last week, as I had planned. It is certainly nice to be able to do so on a day on which my right hon. Friend the Secretary of State for Environment, Food and Rural Affairs is present. He is very kind in putting up with being pestered by me on climate change issues. I hope he will forgive me if I add to that today, and pester him as though he were Chancellor for the day. I do not think it sufficient for us to hold the Government to account on climate change issues. We must recognise that we face a challenge from an unholy trinity: climate change, peak oil and market meltdown.

This bad week for me has been a wretched week for Bear Stearns, the fifth largest United States investment bank. Last year its shares were trading at $176 each; over the weekend it was sold for $2 a share, and the markets are saying that they see no end to the prospects of meltdown. The Fed has intervened, and for the first time since the great depression has extended its lending rights to companies that are not banks or investment banks. Such is the level of concern about the extent to which conventional money markets have been creating funny money and a bubble economy that is now bursting all around us, and shows no sign of coming to an immediate end. It seems to me that we cannot have this Budget debate without seeking to engage with the fact that we may have to think about systems failure on a global scale, and about what the United Kingdom must do to manage what is within our grasp in the context of that failure.

Kelvin Hopkins: This may be a trivial point, but is my hon. Friend saying that bankers have learned nothing since the south sea bubble and the Wall street crash?

Alan Simpson: Sadly, that is precisely what I am saying. We are going back to the days of the south sea bubble, when money in the private sector could be created without constraints on a scale that led the world in pursuit of follies for which we all paid a phenomenally high price. What makes the present position harder is the fact that it comes at the same time as other developments. Today oil hit a record price of $111.80 a barrel, from which it has just slipped back. The oil companies are beginning to say to us openly that the world will face an oil crunch by 2015. That means they understand that the last four years, in which oil production has never really exceeded 85 million barrels per day, have nailed the lie that there are vast untapped reserves that will just cope with the burgeoning demands on oil from India and China and from developing nations. We live in an era of declining quantities of available oil and escalating oil prices, and even according to the oil industry's calculations, that will hit us by 2015. Furthermore, over the weekend scientists told us that glaciers were melting faster than even they predicted.

The challenges of climate change, peak oil and economic meltdown redefine the parameters within which national Governments must construct their budgets. I think that it is time for us to be bold, and say that it is impossible to run conventional budgets in unconventional times. That requires us to think outside the box and to think in much more dynamic terms.

It is right that hon. Members on both sides of the House have thrown into question the purpose of green taxation. If it is no more than a form of stealth taxation, we as politicians will kill the public support for green taxation. It has to be transparent that the purpose of green taxation is to change behaviour: it is not to fill the Chancellor's pockets, but to change the mechanisms through which the markets work in the

United Kingdom, and the ethical basis on which those markets work. Perhaps it is a good time to cut out the Chancellor as the middleman in that process. Easy and available mechanisms are on offer to us today, if only we had the willingness and the vision to reach out beyond our shores, or beyond the Treasury mindset, to see how those might work.

I want to focus on five aspects of the challenges that the Budget should have addressed and all future Budgets will have to address: energy security, food security, water management, sustainable transport and financial accountability. I begin with financial accountability. There are no easy solutions to paper over the mess that has been created within the international financial systems, but we should be saying that the UK will place two principal requirements on how our financial systems work. First, we should introduce legislation that says that directors will be made personally liable for anything not reported in their annual accounts. That would bring to an end the off balance sheet accounting and securitisation of assets that have allowed the creation of Mickey Mouse money on a colossal scale.

Mr. Redwood: Would the hon. Gentleman also apply that to the Government, who are the biggest offender in not putting huge off balance sheet private finance initiative, public-private partnership and Network Rail obligations on their balance sheet, unlike the directors of Northern Rock, who put the whole of Granite on the balance sheet?

Alan Simpson: I would include the Government. In fact that was my second point. The second rule that I would bring in would say that no public contracts should go to any company that was registering its activities in an offshore tax haven. As an adjunct to that, it should be a precondition of all public sector contracts that they would not include any entitlement to shift the company or the assets offshore for the duration of the PFI contract. It seems that large numbers of contracts are shifted offshore to make them more tax-advantageous to the companies that have been getting them. It is wrong for us in government to preach one set of ethics if we practise another, so we should set that as our own requirement and set those preconditions for all other companies.

Moving on from that, I want to look at ways in which we should as a Government and as a House be requiring markets to be the drivers of their own transformation. The best example of how to do that is in Germany and it is in the context of energy. Opposition Members and a number of Members on the Government Benches have tried over a number of years to get the Government to do precisely what the Secretary of State has now said they will do, which is to look at feed-in tariff legislation and the way in which it works in Germany. However, it is not enough to say that we will be looking at that. That system has a proven record of delivery. How it works is simple. Germany introduced market rules that gave citizens the right to supply clean energy. In addition, the Government placed a requirement on the energy sector, saying, "You will pay your customers four times the market rate on 20-year guarantee periods, reducing at 5 per cent. per year, for the clean energy that you supply to the system." Yes, other customers within the energy system have to pay for that. It worked out at an average of £12 to £14 per year per household energy bill.

When I tried to raise that with Government civil servants in the Department for Business, as Usual, they said, "It is an interventionist measure, which we do not support." I said to them, "You do support interventionist measures; it is just that you support only incompetent ones." We have the renewables obligation, climate change agreements, the climate change levy and commitments to carbon emissions trading. They all add costs to people's bills, amounting to £140 a year on the average household bill. For that we get one tenth of the carbon savings that people get in Germany for their £12 a year. This is not about market intervention; it is about shaking off the shackles of our own incompetent intervention. I hope that amendments—supported by Members of all parties—will be tabled to the Energy Bill that say at the very least, "Yes, by all means look at feed-in tariffs, but we should be under a statutory obligation to bring in a scheme of feed-in tariffs within one year of the passing of the Bill". There should also be a commitment to extend that not only to electricity, but to gas. We must look into that; I know that the Secretary of State has looked into it in terms of his own Department.

There are some rules that we must change. Green energy electricity suppliers have been queuing up in the UK for up to 10 years to get access to the system. They cannot do so because the existing suppliers have first call on access to the system and the rules are that only if they cannot meet the energy demands of the day are new suppliers to be drawn in. Therefore, as Kingsnorth comes from an existing supplier, it will take precedence over a green energy supplier that has been in the queue to get access to the system for 10 years. We must give green energy suppliers preferential access to the system.

In terms of renewable gas, we currently have problems with the disposal of waste, and they will become even greater when the EU waste directive comes into effect in 2010. Germany, however, has been putting decayable waste not into landfill or incineration, but into anaerobic digesters. It therefore turns the waste into energy and puts the gas back into the system, and it does so at the locations—the communities, towns and villages—that the waste was collected from. The waste is used there in combined heat and power plants to deliver a local energy system. We cannot do that because our current system of renewables obligations applies only if the gas is converted into energy at the anaerobic digester plant, as a consequence of which there would be the huge cost of ducting heat for many miles, which would be utterly uneconomic. We need, therefore, to change the market rules for our energy systems.

Mr. Bellingham: The hon. Gentleman is making a superb speech, and I congratulate him on having one of the six houses in the entire kingdom that achieve the target of total energy-efficiency.

Does the hon. Gentleman agree that anaerobic digester technology is far preferable to the straightforward incinerators that many local authorities throughout the country are hoping to build?

Alan Simpson: I do agree, and I ought to say that I was the chair of a waste disposal company in Nottinghamshire that was responsible for the incinerator we have in Nottingham. At the time, we dramatically raised standards in filtering and emissions. I look back at that and think it was a half-good idea for the second half of the last century, but it is a hopeless idea for the beginning of this century. We ought not to be wasting a moment in going down that path now, when the true visionary steps take us outside such conventional boxes and into a different framework of thinking about, and delivering, sustainable energy from our own waste.

I have a confession to make. Over just this past week I have come to realise that I have become a Brownite. Unfortunately my political conversion is to the beliefs of, Lester Brown, whose book, "Plan B: Rescuing a Planet under Stress and a Civilization in Trouble", sets out how we can transform our economy to deliver 80 per cent. carbon reductions by 2020. Achieving that, however, requires us to give industry the responsibility of being, and the incentive to become, the driver of its own transformation.

Let me illustrate how that would work with transport. It is essential to say that we require something more than a raising of the vehicle excise duty on gas-guzzling vehicles, so what would be seen as transformational? Let us say that we extended the German energy model to our own approach to vehicles. The sensible approach would be to require the industry to impose a levy of, say, £3,000 on all gas-guzzling vehicles, but which can be a transfer payment to meet the cost of hybrid, low-carbon vehicles in a given manufacturer's own range. That way, our citizens face the prospect of a cash incentive to transfer to low-carbon impact modes of transport, rather than high-carbon, so it should be economically advantageous. For manufacturers who do not produce hybrid or low-carbon vehicles, the money should go into an industry-administered fund that pays for the retroconversion of vehicles to meet low-carbon emission standards. That way, the industry is made responsible for its own transformation.

I should point out that in 1998, the Government reached an agreement with the motor manufacturing industry that by 2008 it would have reduced carbon emissions from 190 g per kilometre to 140 g. My understanding is that there is not a cat in hell's chance of its doing that. As someone who has been somewhat sceptical about voluntary agreements, I say, let us take this one at its word. Let us say, "Fine—there will also be a levy of £1,000 on every vehicle you sell that does not meet the 140 g per kilometre standard. You keep that money in an industry fund to pay for conversion to low-carbon vehicles." People may say that that is somewhat draconian, but even if we wait for the oil industry's 2015 figure, we will face an oil price crunch that will lead to a crisis in terms of the unaffordability of the conventional ways in which we have tried to move around the country. We should anticipate this, live with it and engage with it. We should move towards transformational budgetary economics, rather than adopting the "steady as you go" approach, with the notion that, hopefully, someone else will dispose of the crisis for us.

We could do exactly the same with aviation. It would be really helpful if we did not put all our eggs in the presumptive basket of the carbon emissions trading scheme, which is a Mickey Mouse idea at best. All the nations that have begun that scheme cheat, and so do we. At the end of the day, it is the scope for dishonesty that will sink the scheme. The truth is that it is those who act as middlemen in the financial system, and the largest polluting industries, that have really made the money out of emissions trading. Even if all the permits were auctioned, that would still prompt the question whether that money would go directly into funding behavioural changes that would transform our approach to sustainable economics. I do not think that it would.

The simpler way, to pick up on a point made by the hon. Member for Altrincham and Sale, West (Mr. Brady) in a previous debate, is to say that not all aircraft are the same in terms of their carbon emitting standards, which is absolutely true. We could classify aircraft in the same way that we classify fridges. We could say to airports, "On the basis of your last year's journeys in and out, you will be allocated a carbon miles quota. Next year and for every year after that, that quota will reduce by 5 per cent., and it is up to you to work out how you manage the affordability and frequency of flights, the balance between long and short haul and the balance between passenger and freight. However, none of it escapes a direct and easily measurable quantum that establishes that the carbon mileage entitlement is being reduced by 5 per cent. per year. That is the way we have to go." Indeed, we could do exactly the same with shipping. That is a measurable, rather than speculative, approach to transforming the way in which the markets operate.

My final point concerns food. One point that has emerged from the changes in oil prices in the past year is the realisation that the impact kicks in in our shopping trolleys far sooner than it does at the petrol station. We will be faced with real problems about how people can survive, not only in the eating part of everyday life but in the heating part. Henceforth, all Governments will be required to produce budgets that address their own food security needs. We must refocus on that responsibility, because of the extent to which the UK has walked away from it on a presumption that globalised food trade will always provide an answer from somewhere. Whether we put it down to climate change, peak oil or economic collapse, that ain't gonna happen any more.

We need to relocalise our presumptions about food markets, in exactly the same way as other parts of Europe have maintained their strong, regionalised food systems. In many cases, they highlight the ecological virtue of those systems by pointing out where they lower carbon miles, reduce pollution and congestion, and strengthen the lines of food accountability from the local producer to the local consumer.

In my constituency, a quiet, unassuming man who has just taken over the catering responsibilities for the combined Nottingham University Hospitals NHS Trust has saved the hospitals at least £1 million a year just by throwing out the processed food caterers and replacing them with local food contracts. If that can be done on a simple scale locally, it can be done on a national scale. We need to do it because tomorrow's economics will not be a continuation from today of business as usual. Ministers need to be willing to step

up to the plate and be visionary and bold in setting out transformational programmes that will change the whole character of how we live. I know that the Secretary of State can do that; I just wish that he could get his colleagues to join him.

5.47 pm

Steve Webb (Northavon) (LD): It is always refreshing to follow the hon. Member for Nottingham, South (Alan Simpson). Of the three contributions so far, his gave us the breadth of vision to match the scale of the problem. I come to the issue relatively fresh, having been the party spokesman only since Christmas. I have been astonished by the gap between the scale of the problem, as per the rhetoric in the Budget and the scientific evidence, and the time scale and scope of the proposed measures. The Budget is a classic example of the contrast between what is actually being done and what needed to be done. My hon. Friend the Member for Twickenham (Dr. Cable) described the contrast between the "apocalyptic language" and the "minimal and deferred" changes, which summed up the situation nicely.

It is important to give the background to the Budget, as the hon. Member for East Surrey (Mr. Ainsworth) did. It is timely that the National Audit Office produced over the weekend the report that he cited, because it gives us a different take on what has been going on—a take that does not reflect terribly well on successive Governments' approach to climate change. I think that it was the Minister for the Environment who at Thursday's oral questions gave us the figures for carbon dioxide cuts. The figures he gave were technically correct with regard to the Kyoto definitions, but he will know that they are narrow definitions, although I fully accept that they are internationally standardised.

In response to an intervention of mine, the Secretary of State said that aviation and shipping were a footnote to the international statistics. *[Interruption.]* As he says from a sedentary position, that is where they are—they are a footnote. He knows perfectly well, as we do, that in reality they are a huge and important issue. In judging how well this country is doing on this vital issue, surely we should look for the most comprehensive measures possible, not congratulate ourselves on progress against a narrow measure that simply excludes a whole set of carbon emissions that are just as damaging as the ones in the figures. That is not just a debating point or a claim that the Government pick the figures that look best and the Opposition pick the figures that look worst. We should be concerned about the real impact of CO_2 emissions, which are surely most relevantly measured against the broadest measure produced by the Office for National Statistics.

The Minister for the Environment (Mr. Phil Woolas): I do not want to take up time, but I must say in response to a point that has been made in the debate and in national newspapers that the figures I gave, as I said at oral questions, related to greenhouse gases, not specifically to CO_2. The Government have always been clear about the difference.

Steve Webb: I fully accept the distinction, but given that CO_2 is the largest of the greenhouse gases by a long way, the Minister will surely be as disturbed as I am by the line in the NAO report that says:

"There have been no reductions in UK carbon dioxide emissions if measured on the basis of the environmental accounts."

The principal difference between the environmental accounts and the Kyoto figures is aviation and shipping. I accept there is an issue about British people overseas, but the exclusion of those factors is fundamental. On the more comprehensive definition from the Office for National Statistics, we have made no progress in 17 years, which is truly shocking. Against that backdrop, the Budget measures seem all the more timid.

There has been some discussion of what the hon. Member for East Surrey called indulgences—or the buying of credits. In a sense and at one level, the Secretary of State is right. What matters is that we get emissions down, and it could be argued that it does not matter so much where that happens, but in the long term buying credits puts off the day of transformation to the low-carbon economy that the hon. Member for Nottingham, South mentioned, while other countries make the necessary changes. If we believe that the situation is really urgent, what we do should be additional to what other countries are doing, as far as possible. We should not allow them to do it instead of us, because that just puts off the evil day.

Without the amendments in the other place, the 60 per cent. cuts proposed in the Climate Change Bill could have been entirely achieved by buying other people's CO_2 cuts. We would not have needed to cut our domestic emissions at all and we could still have satisfied the 60 per cent. target, and that is totally unacceptable.

Mr. Hurd: Do the Liberal Democrats therefore support a cap on the purchase of overseas credits, and if so what level would they put that at?

Steve Webb: I do support such a cap, and before the Bill reaches this House, I shall read the debates in the other place, in which their lordships agreed a figure of 30 per cent. I shall certainly oppose Government attempts to reverse that, but I have an open mind on whether it should be lower. The key point is that we need to lock into a low-carbon structural economy, and buying our way out simply defers that.

The other contextual point that I want to make is about the contrast between the bits and pieces—such as the plastic bags—and the fact that in almost the same week the Government encouraged expansion at Heathrow and Stansted. A whole new generation of coal-fired power plants, without carbon capture and storage, is likely to go ahead. Marginal changes are being made, but the whole thrust of policy in other areas, run by different Departments—that is a key point—is in completely the other direction. All hon. Members in their places today would probably wish more power to the Secretary of State's elbow. We wish that he had more influence on the Government, but so often his Department nibbles around the edges and does its best, but another Department comes trampling down the track and reverses that. That has to change.

I fully accept that green taxes are only one lever among many, but they work. I wish to cite—and I do not do this very often—a very successful Conservative initiative on green taxation in the 1980s: the switch to

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unleaded petrol. Actually, that was a green subsidy, not a green tax—a differential in favour of unleaded petrol. At the start of the 1980s, who would have thought that by the end of the decade cars that ran on leaded petrol would be oddities? It did not take long to change because the incentive structure was put in place. The same could happen with the vehicle excise duty tiering that we have heard about—

Kelvin Hopkins: Another example of a transformation that took place quickly and effectively was the switch from coal gas to natural gas. If there is a will, such things can be done.

Steve Webb: That is right, and such examples expose the timidity of the 2019 goals for various measures in the Budget. If we have drive and vision, these things can be achieved much more quickly, sometimes by mandate, as with the gas switchover, and sometimes by incentives.

I take the point made by the hon. Member for East Surrey about not using the cash from the VED change—the showroom tax—for other tax cuts, but my worry is that it stops. In other words, if I am thinking of buying a gas-guzzling luxury car, even a VED of £900—as opposed to one of £400—is neither here nor there if it lasts for only one year. Why not persist with it? Given that the purchase is the critical decision, why not keep the VED at that rate for the lifetime of the vehicle? That would send a strong signal and it would encourage manufacturers to start thinking about the new cars that they put on sale. That might lead to a much quicker transformation in what is offered.

The Secretary of State was right to point to the issue of best in class. There are very fuel efficient versions of almost every vehicle, be they rural 4x4s or family cars. It is not that people cannot have big family cars or 4x4s, but we need strong incentives for them to purchase the more fuel-efficient models. The incentive at the point of purchase would be much stronger if it were not a one-off hit, which is probably quite marginal to the cost of purchase.

Mr. Redwood: The hon. Gentleman makes some interesting points. Is it Liberal Democrat policy to accept the levels that the Government propose but to make them annual, or does he think that the levels should also be raised?

Steve Webb: We certainly think that the increased VED should continue: it should not be a one-off hit. We also think that green tax, as broadly defined, should represent a significantly bigger share of the total tax take. As the hon. Member for East Surrey said, that should not be part of an overall tax increase, and green taxes should be used to cut other taxes. We have identified the standard rate of income tax that lower and middle earners pay.

This Budget takes the green tax share to 2.8 per cent. Ten years ago, it was 3.6 per cent. The share of green taxes has therefore fallen by about a third in 10 years. The proposed taxes are by no means swingeing new green taxes: they will not even fractionally reverse the decline in the past 10 years. Given that we have to raise a certain amount in taxation, surely it is common sense to raise that on pollution and the marginal choices that increase carbon emissions, rather than on income and the things that we want people to do. The present balance is wrong, and I do not understand why the Government do not address that. I take the point made by the hon. Member for Nottingham, South that the risk is that the Government will totally discredit the notion of green taxation, which is one of the key levers we have at our disposal.

How much green taxation was in the Budget? The Institute for Fiscal Studies says that by 2010 additional green taxation will be £1.8 billion a year. In the context of Treasury estimates of revenue, that is a rounding error. The Chancellor routinely revises his income and expenditure figures by far more than that every six months. The idea that the Budget contained some huge tax switch that will transform our battle against climate change is nonsense, and in his heart of hearts the Secretary of State knows that. The scale of what is proposed is simply not up to the scale of the problem.

We have heard of the endless deferral—to 2019—on new buildings. The schools programme has a target of 2016. The Department for Children, Schools and Families is rebuilding schools up and down the land, so for another eight years new schools, which will presumably stand the test of time for decades, will be built to inadequate standards, locking in sub-standard carbon performance. That should be dramatically improved—and quickly.

We have heard already about the small scale of the green homes service—£1 per household. The Secretary of State used to hold the same position at the Department for International Development. The British Government will clearly contribute worldwide to attempts to deal with the consequences of climate change, and we know that many of the poorest countries will be the first to suffer. Does he therefore share my view, and that of the leader of the Liberal Democrats, that our spending on alleviating the consequences of climate change should be additional to the 0.7 per cent. target and should not eat into it? Surely it would be a double penalty on the world's poorest people to say, "Actually, we were planning to spend money on clean water, education, disease protection and all those things, but we are not going to spend as much on them. Our actions of decades past are ruining your natural environment, so we will take a bit of the money that we were going to use to try to stop your children dying before the age of five to make sure that your earth doesn't flood." Surely, if 0.7 per cent. of GDP was a proper target for the humanitarian and infrastructure work that needs to be done anyway, the climate change mitigation work that we will do overseas should be additional. I hope that the Minister who responds to the debate will give us the Government's position on that.

I want to say a few things about the energy efficiency and fuel poverty aspects of the Budget. I intervened on the Secretary of State and queried some of the cuts in his departmental budget. Obviously, when it comes to energy efficiency, we have another example of that, which is the freeze on the Warm Front programme. The people who perform the home installations reckon that compared with the previous three-year period they will soon be able to do fewer houses. The cost is going up and the budget has been frozen in cash terms.

Warm Front is a highly impressive, highly effective programme. It is not without its flaws, but it is an excellent scheme. I am therefore concerned that cuts have been made. When we ask Ministers about that, they cite other schemes and initiatives, such as the carbon emissions reduction target—CERT—but that is not an adequate substitute. It is not as good, for a number of reasons. For example, it rewards a company for saving carbon emissions among its customers. However, a company gets a better return from saving carbon emissions for a big, wealthy customer with high carbon emissions than it does for a small consumer—perhaps a single pensioner living on their own. In other words, for a given amount of insulation, companies get more return by going for, in some cases, the more prosperous.

I know that there are minimum quotas, but they have gone down, too. I understand that the number who have to be in the target groups has gone from 50 to 40 per cent. and that the target groups have been broadened, which is crazy. We want the priority to be the fuel poor. The Government know who the fuel poor are, broadly defined—they certainly know who receives means-tested benefits. Companies in the CERT programme do not know which of their customers are on means-tested benefits, so they have to spend time, effort and money finding out or speculating about that, when the Department for Work and Pensions knows.

I hope that the Secretary of State's Department—*[Interruption.]* The Minister for the Environment says it is because of data protection. I quite understand that the Department for Work and Pensions cannot simply hand over benefit details, but why, for example, could not every recipient of pension credit receive a certificate, once a year, with their annual uprating statement? They used to get certificated housing benefit, entitling them to a rent rebate and to have their council tax paid. Why should they not receive a certificate of eligibility for Warm Front or CERT, or for whatever scheme happens to be running, that they take to their supplier? The supplier would not have to know which benefit they were on or what their income was. No databases would have to change hands. It is a relatively simple idea. The mailing is going out anyway. I am reassured that the Secretary of State is reaching for his fountain pen, and if it happens, I am happy to share the glory with him.

Hilary Benn: It is a felt tip.

Steve Webb: That will do.

Martin Horwood (Cheltenham) (LD): In fact, there is a precedent for a very simple system: the charitable gift aid process. Donors make a declaration based on their knowledge of their tax status without revealing their tax details to the charities. It works very well.

Steve Webb: I am grateful to my hon. Friend. There is probably a variety of ways of doing it, of which that is one. My central point is that expecting the fuel companies to try to identify their poor customers, when the Government already know—when one bit of government wants it done but another will not give that information—does not seem to be joined-up government.

I want to raise another point that might interest the Minister, about which something could be done quite quickly. We know that over the next 10 years or so the Government want everyone to have a smart meter. One of the key issues for me is the potential smart meters have to benefit the environment and tackle fuel poverty.

I have in mind what I would call a super-smart meter. The big worry about the domestic energy market is the alleged lack of competition. All sorts of investigations are going on, and consumers think that the companies all put their prices up together. Clearly, we want maximum switching and want people to go for the best tariff for them. We want energy efficiency tariffs and so on. If a smart meter records someone's actual consumption of gas and electricity, why should not the information be sent to a website such as moneysupermarket.com—it has to be a two-way flow of communication—so that it can look at all the tariffs and shop for the customer? The customer would not have to be online, web-savvy or anything like that. The smart meter would do it for them. It would come back and—it might have a Stephen Hawking-style voice—it would say, "It's EDF for you this quarter", or whatever else. In other words, it would match customers' circumstances with the optimum tariff and switch them to it.

The technology would probably be fairly straightforward. The company would need bank details—practical issues would have to be resolved—but instead of having managed methods of controlling the energy market and competition, it would almost be the economist's dream of perfect competition. We would have an almost infinite numbers of buyers, perfect information, negligible transaction costs and regular switching, which keeps companies on their toes. Fuel companies will hate it, because they will not have the stickiness that means customers stay with them when they should not. I say this to every Minister I meet, and I hope that at some point someone will take me seriously and adopt it. *[Interruption.]* I am pleased to hear the Minister for the Environment say that it is a good idea. I am grateful for that.

I have a couple of final observations. I listened with interest and a lot of sympathy to the hon. Member for East Surrey. I agreed with a great deal. I waited for the answer. He came up with some of the things that the shadow Chancellor has said, many of which are gimmicks. He asked where the green ISAs were. I travelled in by tube from Paddington to Westminster, and there is an advert that says, "Get your green ISA."

Gregory Barker: With respect, before the hon. Gentleman starts to criticise policy he ought at least to take time to understand it. A green ISA would be an extra amount in addition to the current ISA, which could be invested exclusively in companies at the forefront of green innovation and on course to meet our national CO_2 reduction targets. It is in addition to the existing ISA, not just another product. Perhaps he could take time to understand the idea before he attacks it.

Steve Webb: It clearly is a gimmicky idea, and I say that for a reason. There is a cost-benefit analysis for each measure, as we heard from the hon. Member for Nottingham, South. Each scheme has a cost and a return. The idea that the presumably higher rate tax relief for many investors delivers the best bang for the buck in delivering improved energy efficiency is extremely

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implausible. The investment will be made in tiny chunks. The scale of investment needed for such things is vast. A few thousand pounds will come in from, on average, relatively wealthy individuals at the cost of a hefty tax break. Essentially, such ISAs are tax breaks for the well-off. There are far better ways of spending that money that would benefit the fuel poor, such as home insulation. I put it to the hon. Member for Bexhill and Battle (Gregory Barker) that money spent insulating a poor pensioner's draughty house delivers a vastly better return for Government cash than tax breaks for high earners through additional ISAs.

Gregory Barker: The hon. Gentleman does not grasp that we need to do all those things. Is he aware that there are 17 million ISA savers—albeit that most of them currently hold those accounts in cash because of the unfortunate economic situation? As there are 17 million ISA holders, they are not just the prerogative of the high-income few. This is about driving dynamic industrial change across our economy, making genuine change, driving capital markets and recognising excellence in British companies.

Steve Webb: There was an interesting elision—in fact, the hon. Gentleman corrected himself as he spoke. He knows full well that the majority of ISAs are cash ISAs. He is talking about a further tier of ISAs, so the savers who can make that additional contribution will, by definition, be the wealthiest. The poorest people cannot even reach the existing threshold. They would need thousands of pounds more. A relatively small proportion of ISAs are equity ISAs, and I will bet any money that a high proportion of the equity ISA holders tend, on average, to be higher income earners. This is potentially a highly regressive way of delivering marginal benefit. There are so many better and more efficient methods, but because the shadow Chancellor has no substantive policies, he goes for these grand gimmicks.

It was interesting to hear the hon. Member for East Surrey ask about the proceeds from the third round of emissions trading auctions. He posed the rhetorical question, "Where will the money go?" but he did not say what the Conservatives would do with it.

Mr. Peter Ainsworth *rose—*

Steve Webb: Can the hon. Gentleman tell me that the shadow Chancellor has said to him that the money can go on public spending? I should be very interested to hear a crystal clear answer to that question.

Mr. Ainsworth: I hesitate to intervene on the hon. Gentleman, because I sense that the House is getting rather tired of him. We have already said that we will use some of the proceeds from auctioning the permits to fund the feed-in tariff system.

Steve Webb: We are talking about a £9 billion windfall in the second round, and the third round of licences will presumably raise even more. Simply to say "some" when the amount could be between nought and £12 billion is far too vague for a party that has pretensions to government.

Kelvin Hopkins: I want to make a point in support of the hon. Gentleman. He says that investing in insulating poor people's houses is a much better way of spending money. There is an opportunity cost to both courses of action, but we should spend all the money on investing in poor people's home insulation, to the benefit of everybody.

Steve Webb: I certainly share the view that that is a priority, and it is an improvement that we can make now, rather than in 2019 or whenever. To draw together the threads of my speech, my priority is to stress the urgency of the situation. There is a mismatch between the grave tone of the rhetoric and the scale of the problem on the one hand, and the extreme modesty of the measures on the other.

I want to mention one other thing that can be done now. We know that even sober-suited organisations such as Ofgem have said that there is a £9 billion windfall for energy companies in the second round of EU emissions trading. It is a huge opportunity to spend money on the things that we have been talking about—home energy insulation and encouraging renewables—without increasing the tax burden. As the hon. Member for East Surrey says, we do not have to wait until the third round of EU emissions trading in 2012; the windfall in the current round could be used to encourage renewables through feed-in tariffs, which we support. The windfall could also be used for investment in carbon capture, which is another part of the mix. That would have been so much bolder, so much more effective, and so much more in line with the scale of the problem. We have had a huge disappointment. I hope that in years to come we do not rue the fact that we failed to take action now, and do not, as Nick Stern says, have to take much more expensive and dramatic action.

6.12 pm

Harry Cohen (Leyton and Wanstead) (Lab): I want to speak about the Budget overall, but I shall start by giving my pennyworth on the environmental issues. First, I agree with the Secretary of State that the main tool the Government have is not the Budget but the Climate Change Bill, and I therefore look to him and the Government to agree to including much stronger carbon emission targets in the Bill.

Secondly, I welcome the 10 per cent. increase in air travel tax in the Budget; it is now the plane that is taxed, rather than the passenger, but we have to do more than that because air travel is a key source of carbon emissions, and we need to get a grip on the issue. The Government cannot increase the size of every airport, either. They have to curtail airport expansion as part of a proper climate change policy.

My third point is on traffic congestion. Again, the Chancellor was right to put a tax on the gas-guzzlers—the high-carbon vehicles—but the Government need to be more courageous on price, including petrol price, and on public transport. I know that there has been a big increase in public transport, and I welcome that, but more needs to be done. More investment is needed in green public transport; that is where the emphasis should be. We need to move away faster from oil-based fuels.

On energy efficiency, the priority must be that which the Government set in their early years in power—helping vulnerable people in their homes. We must go back to that target. I shall say a bit more about that in the main part of my speech. We should encourage combined heat and power schemes, the use of solar panels and microgeneration in new homes, and there should be lots of incentives for people to use those technologies in existing homes, too. We also need promotions encouraging people, in a sensible way, to use less energy. That is an important point, and we could start with public offices, where the lights are burned all day and night, unreasonably. They could set an example.

The final point I want to make in what I hope is a succinct summary of green issues concerns renewables. The emphasis has to be on renewables; I think that they are a national priority. They should be considered to be in the national interest, including when there are objections to them. Of course we will still need to give the issues proper hearings, but national interest should be a factor in decisions relating to renewables.

I now turn to my main comments on last week's Budget. The TUC called it

"a sensible Budget for the overall economy, but something of a missed opportunity to make real progress to a fairer society",

and I agree with that assessment. When the Chancellor was interviewed on the radio the morning after the Budget, he said:

"We are where we are".

I now think of it as the "We are where we are" Budget. That was really an admission that he did not have a great deal of room for manoeuvre in the circumstances. Those circumstances include a possible world recession owing to the crises in the American finance and mortgage markets and very high oil prices. Maintaining economic stability in the UK in the face of that is essential, so it was a holding Budget, and in many ways I understand why.

However, when we consider where we are, we have to take into account the wasteful cost of the wars, including the war in Iraq, which contributed to high oil prices, and the unwise handouts given to private companies so that they can encroach on public services. That includes the almost £2 billion for the London underground that was wasted on Metronet. There has also been no proper check on the speculation by finance capitalists that engendered the current downturn. The horse has now bolted, but I still think there need to be controls on the credit and profits with which those finance capitalists can speculate.

To come back to the point about encroaching privatisation in the public sector, I would say that there is a heavy cost attached to private finance initiatives. There was a report in *The Guardian* online—I read it in my Library research fact sheet—headed "PFIs move offshore". It says:

"Billions of pounds of private finance initiative...including the refurbished Treasury headquarters in Whitehall and the new Home Office, have been moved off-shore by their City owners to avoid paying tax on their profits.

More than 50 PFI schemes have now been included in portfolios held in Channel Islands tax havens by three major PFI investment companies, HSBC Infrastructure, 3i Infrastructure and Babcock and Brown Public Partnerships"—

not Prime Minister Brown, I presume. The article continues:

"Once the buildings have been completed, up to 90 per cent. of the ownership of the UK-registered company running the PFI is transferred to the companies which are based in the tax havens. This means that the income and profits from running the PFIs will be free of UK tax for up to 40 years, depending on the duration of the PFI."

If the people concerned are not to pay tax, that is a scandal that the Government must get to grips with. In addition, extortionate, exorbitant amounts are charged for any changes to PFI contracts, as was pointed out in a recent National Audit Office report. Millions are being charged. The contracts are not even being tendered; they go straight to the existing PFI contractor, and that has implications for the green agenda, because in time we will want to change the buildings concerned and make them more green-sensitive. The PFI contract owners will have us over a barrel and will charge what they like. The Treasury has to look at that aspect of PFI.

I started with the issue of fairness and I return to it now. I support a non-dom tax on the super-rich who turn up to make profits out of Britain without living here. Such a tax is reasonable. However, the Chancellor said that he would look to close the loopholes. I have been in the House a long time and I have heard that said in virtually every Budget. As the TUC points out, big companies and the super-rich use plenty of loopholes to avoid paying their proper taxes.

I refer the House to the booklet "The Missing Billions: The UK Tax Gap", which was written by the accountancy and tax specialist Richard Murphy. He looked at 50 top companies and says that their effective corporation tax rate is 22.5 per cent., not the 30 per cent. agreed by Parliament. He says:

"The fifty largest companies almost always pay 5 per cent. less tax on average than they declare in their accounts."

He goes on to say that in the seven years to 2006, those companies' effective tax rate fell by 0.5 per cent. each year. The leaflet shows how super-rich individuals avoid paying their fair share of tax and that £3.2 billion is lost by turning earned income into investment income, which is taxed more favourably, or by shifting the income to others, such as spouses, in lower or nil tax bands. Another £3.8 billion is lost because transactions are moved out of the UK; £0.5 billion is lost by turning income into a capital gain and £4.8 billion is lost from various kinds of tax planning.

The leaflet says that half the amount lost to tax avoidance could raise the level at which the higher rate tax starts being paid by £10,000 a year. That would offer significant help to those on middle incomes. The same amount could increase the state pension by 20 per cent., reduce income tax by 3p in the pound or build an extra 50 hospitals a year. Half the amount lost to tax avoidance could do one of those things. The leaflet goes on to call, as does the TUC, for the introduction of a new "general anti-avoidance principle" to make it easier to tax the super-rich and the large corporations. I certainly support that.

We have had a debate on energy companies, and I welcome the Secretary of State's response to my intervention about prepayment meters; I note that there is an iron fist in the glove on that issue. I certainly hope that there will be a requirement for energy companies to help vulnerable groups. Bearing in mind their high charges and high profits, those companies

[Harry Cohen]

got off lightly in this Budget. One in six—more than 4 million—households in this country suffer from fuel poverty, and I am told that that number is going in the wrong direction.

I turn back to the issue of the rich getting richer. The Fair Pay Network has produced an interesting report that points out that half of poor British children live in a working household. The report states:

"Pay rates at the top of the labour market have become obscene. 54 billionaires who are based in Britain are estimated to have paid just £15 million in tax last year, on earnings of some £126 billion. Some 4,000 City employees were awarded bonuses of £1 million or more—and most will have found some way to shelter their riches from the 40 per cent. tax rate that should apply to them. YET: 1½ million children in poverty belong to households that pay full Council Tax."

The Government are right to use work as a way out of poverty, but

"57 per cent. of poor households are working households, up from under a half (47 per cent.) a decade ago."

The report also states that

"the public sector remains the largest employer of low-paid workers aged 25 or over...64 per cent. of low-paid workers in Britain are women...Poverty in the UK has a female face, and we have the largest gender pay gap in the EU...a woman in Britain has a 14 per cent. higher chance of being in poverty than a man."

It then makes the point that I mentioned earlier:

"the total number of poor children in working households has stayed exactly the same in the last 10 years: 1.4 million."

That record is not good enough for a progressive Labour Government.

Before I come to how taxes are spent, I should say that I support the increases for boozers and smokers, as there are good health reasons behind them. However, progressive measures should not necessarily—or solely—be paid for through taxes on boozers and smokers. Those who have got millions in City bonuses should be paying a fairer share.

There is much to be praised in the Budget: I like the £200 million in the next three years towards achieving the target that no school should have fewer than 30 per cent. of its pupils getting five A* to C grades at GCSE. That is a good measure that will help schools in my constituency of Leyton and Wanstead. I also welcome the boost to pensioner households from the rise in the winter fuel allowance. Furthermore, the pension credit rises to a guaranteed £124 for a single pensioner and £189 for a pensioner couple, and 6,000 pensioners are being taken out of income tax.

However, Age Concern's parliamentary briefing is worth reporting to the House. It states:

"there are still 1.8 million older people (17 per cent.) living in poverty in the UK...The Government have a target to end fuel poverty for all vulnerable households by 2010 which they have already had to acknowledge they will not reach. The trend is accelerating in the wrong direction: the number of older people in fuel poverty is likely to have more than doubled in the last 4 years alone."

The organisation calls for a reversal of

"last year's damaging cuts in funding for the Warm Front scheme."

By the way, the Budget briefing for Labour MPs keeps stating, in addition to whatever is in the Budget, that there is free central heating for pensioners. There is no free central heating for pensioners. There is the Warm Front scheme, which is to be praised; however, that was cut back and people have to go through a lot of hoops to get it. Let us alter that briefing—or, better still, let us have free central heating for pensioners, if that is what we want. I do.

Age Concern goes on:

"Once again Council Tax Reform is notable by its absence. Council Tax has nearly doubled since 1997, whilst the Basic State Pension has only increased by 40 per cent."

It also states:

"The Government should act on Lyons' recommendations"

that there should be automatic receipt of council tax benefit. That should be implemented as well.

The briefing points out that there should be

"a firm and steady date for the restoration of the earnings link in the state pension."

I agree, and it should come sooner rather than later.

Kelvin Hopkins *rose—*

Harry Cohen: I shall give way in a moment.

As the briefing points out, if the Tories had not abolished the link in the 1980s and it was still in place, the basic pension would be £50 a week higher than it is today.

Age Concern's final point is as follows:

"The Government has promised to re-link the state pension to earnings by the end of the next parliament, but this is far too long to wait. Unless the Government intervenes, the real value of the basic state pension will fall to a dismal £81 (in 2007-08 earnings terms) by 2012."

I give way to my hon. Friend the Member for Luton, North (Kelvin Hopkins).

Kelvin Hopkins: My hon. Friend has made my point for me.

Harry Cohen: Okay.

I come to the last relevant issue, which is child poverty. This should have been the Budget to have made inroads into our target to eliminate child poverty. I welcome the £20 for the first child from April 2009, the rise in the child tax credit to £50, and the discounting of child benefit income in calculating eligibility for housing benefit and council tax benefit. The Chancellor said that that would take 250,000 children out of poverty. However, as the Work and Pensions Committee, on which I sit, has reported, 1 million children must be taken out of poverty to meet the 2010 target. That is pre-housing costs; after housing costs, there would be 1.5 million such children.

I welcome the discounting of child benefit for council tax benefit and housing benefit, but why was that not set for October 2009, not April 2009 like the other changes? That will have an administrative cost for local authorities, and it will engender some confusion. I ask the Government to rethink that and put it back to April 2009 with the other changes. I welcome the increase in tax credits. More needs to be done, but that is also the case as regards in-work benefits, equal pay, a London living wage, and targeted benefit increases for families with someone who is disabled.

This is a flawed Budget, although it has lots of good parts. It is a holding Budget for the economic situation in which we find ourselves, and a steady one in the circumstances. It is the best option on offer among the political parties. Interestingly, the Conservatives did not put forward a single proposal, and there is already talk of their leader flip-flopping on some of the commitments, or near-commitments, that he has made. Nevertheless, for Labour Members it still falls far short of what is required, while the money for war and handouts to private capital go unrestricted, with catastrophic and expensive consequences.

6.32 pm

Mr. John Redwood (Wokingham) (Con): It has been interesting to be present at this debate, which is a bit like "Groundhog Day". We had a themed debate rather like it as part of the European scrutiny process, and we will doubtless have a similar debate on Second Reading of the forthcoming Climate Change Bill.

We have seen the three Front-Bench spokesmen all tiptoeing towards the proposition that people should have to pay more for their energy but understanding, as politicians, that that is an extremely difficult thing to sell to them. We have three variants. The Government's view is that this is probably the least bad excuse to use for raising more money, because they are desperately short of money; Conservative Front Benchers are saying that green taxes should be entirely balanced by other tax cuts so that people would be able to afford them, assuming that the distribution was fair; and the Liberal Democrats are in their usual muddle saying that there is a bit of this and a bit of that, but undoubtedly wanting to tax people more—rather more, I suspect, than the Government.

The tragedy of all this is that those who want to redistribute income cannot guarantee to do it effectively by this particular route. People on low incomes need access to energy and transport just as people on high incomes do, so the Government are driven back on proposals in the Budget to have a one-year increase in the amount of fuel payment assistance for pensioners. That goes a little way towards helping, and other methods will need to be developed if the political classes decide to carry on with accelerating the progress of the market and having ever-dearer energy. We have already seen in recent months a huge energy price signal sent by the big increase in oil prices and the attendant changes in gas prices, coal prices and so forth. If the political classes want to accelerate that process even further by separate carbon levies, carbon trading with artificial prices and other regulatory and tax costs, more work will have to be done on how to do something about the fairness of distribution of those tax-rises and cost rises, and there will have to be ways of offsetting those so that people on low incomes do not feel that they are taking a disproportionate share of the burden and are the ones who are deprived of transport and home heating.

Kelvin Hopkins: The right hon. Gentleman seems to be putting forward a rather socialist message, which I welcome, in suggesting that tax should be progressive rather than regressive. What about taxing the rich a lot more and insulating poor people's houses?

Mr. Redwood: I think that the hon. Gentleman knows me well enough to be aware that that is not my view of the world. More people can be got out of poverty and into work by moving generally towards lower taxes than towards higher taxes. However, I was making a specific point on the content so far of today's Budget debate and reminding all those involved in policy formation that one cannot simply carry on with the idea that extra taxes, extra levies and extra regulatory costs can be heaped on to energy without having consequences not only on the rich but on the poor and without needing to have some kind of alternative package. If we are not careful, we just end up with massive administrative churn costs because of the imposition of a lot of administrative costs in raising the levy, the charge and the tax, and then a lot more administrative costs in giving money back to people so that they can afford the levy, the charge and the tax, and we do not achieve what we are trying to achieve. I rather like green promotion in the form of lower taxes for better behaviour. It is good that we have already heard that that worked, as it did very quickly, when we did it for unleaded petrol, which showed that people prefer an incentive to tax increases.

It is important that people listening to our debates, as I hope that some still do, understand that we know that a very big financial crisis is under way in the world and that that crisis has moved on at breakneck speed during the course of the Budget debates. We heard a few brief remarks from the Prime Minister in his statement earlier, but we have not yet had the benefit of Treasury Ministers explaining in this House how they responded to the Bear Stearns catastrophe and the rescue that has been mounted so quickly and successfully in the United States of America; nor have we had from them proper comment on the actions being taken to co-ordinate putting liquidity into markets and seeing the market through the crisis.

In the Budget speech, the Chancellor rightly had a paragraph or so of reference to the world financial background, explaining that it was bleak, but he claimed, with a hint of complacency, that the UK is uniquely best placed to deal with this crisis. We should try to ensure that the Chancellor and his colleagues have thought through the gravity of the world situation in which we find ourselves and the way in which, in some circumstances, the UK is not uniquely well placed but has its own home-grown problems, which we need to take very seriously. After all, it would be foolish to be complacent given that it was the United Kingdom that had the first run on a retail bank—and, I am pleased to say, the only run; let us hope that it turns out to remain so—whereby retail depositors were so worried that they were rapidly pulling out their deposits, which is what finally triggered the intervention and action over Northern Rock. Bear Stearns is a different kind of run by a different type of investor and depositor—equally lethal but not as telegenic and not affecting people on low incomes as the Northern Rock run visibly and clearly did.

We should ask why, over that long and difficult, and rather cold and wet summer, the British authorities were unable to take pre-emptive action of a kind that might have prevented the Northern Rock crisis from developing as rapidly as it did. I am not jogging backwards—I was writing and saying this at the time.

[Mr. Redwood]

It was clear to the markets in London in August, if not July, that there was not enough money in circulation, and clear to those watching the markets that there was the potential for a financial disaster or a banking problem. I did not write down the names of the banks that were being mentioned at the time, but Northern Rock was the one that people most feared for, and it was widely rumoured in the markets. It would have been crass to mention it because the last thing that one wants to do is to play any small part in helping to undermine an important institution, crucial as Northern Rock has been to the success of the north-eastern economy and crucial as it is to all the small shareholders and depositors particularly concentrated in the Newcastle and wider north-eastern region.

The Bank of England was placed in an extremely difficult position in August and September. The reforms of 1997 had left it ill-placed to understand the nature of such a banking crisis and to be able to respond positively to it. My first recommendation is that the Chancellor urgently look again at the regulatory and banking control framework that he inherited from the 1997 reforms and that he come to this House rapidly to introduce proposals for their improvement and updating.

A central bank is more than a regulator. A good central bank is more, even, than a hands-on referee in a free-flowing game. It is a player in the money markets that it has to supervise, and has to keep liquid, honest and successful. The problem for the Bank of England in August and September, when the money market participants could see that there were difficulties, was that, since 1997, it has lacked two important flows of information that most central banks regard as normal. First, a central bank needs to know everything that the Government are doing.

The Government are usually one of the biggest operators in the money market—particularly a heavily borrowing Government like the present one—and the timing and nature of debt that the Government issue is crucial to the functioning of the market. In 1997, the then Chancellor nationalised the function of running the Government's debt by taking it out of the Bank of England and putting it into the Treasury. The modern Bank does not have the same minute-by-minute detailed sight of or responsibility for Government business in the market that it had prior to 1997.

The second big problem that the Bank of England has is that prior to 1997; it was the day-by-day banking supervisor of all commercial banks, particularly the main credit-creating clearing banks that run our system. The Bank could see all of that business, and knew about it day by day, hour by hour and minute by minute. It had a close relationship with those banks—the famous Governor's eyebrows would rise wisely or angrily if anything went wrong. The Bank knew whether they were liquid enough, whether they had squared their positions early enough in the day and whether they were taking a sensible position in the markets, so the banking system worked well.

That responsibility was lifted from the Bank and given to the Financial Services Authority, and is now handled through a tripartite arrangement with the Chancellor and the Bank of England. When the crisis struck, it was always likely that it would be more difficult to control and resolve because the principal central bank player did not have all the regular information or history and knowledge of marketplace activity that a central bank should have. That is why I warned, in an economic policy report that I wrote for the Opposition, that we had a weak structure in Britain, and that when there was a financial difficulty—I did not forecast Northern Rock, but I had something like that in mind—things would go horribly wrong because the Bank no longer had those important powers.

The next curious matter is that just prior to the run on Northern Rock, the tripartite system clearly misread the situation very badly. Both the Chancellor of the Exchequer and the Governor of the Bank of England made fierce speeches in which they said that the banking system in Britain had made lots of mistakes by lending too much money to the wrong people, and that it had to meet the consequences of those mistakes—there would be no bail-outs. That would be a heroic thing to say at the best of times; in practice, no Government can allow a major bank to go bust in our global system because many poor and rich people would suffer badly, and there could be a systemic crash throughout the world. It was particularly odd, however, to make such statements when they must have known that they were on the verge of a difficult crisis over Northern Rock, with a possible run on the bank. They had to eat their words a matter of hours later when the run got out of control and the Chancellor said not only that he would guarantee all the deposits in Northern Rock—big though that task was—but the deposits of any bank found in a similar position, leading some to speculate who else in the markets he might have in mind. There was a worry that the run on Northern Rock would lead to a run on other institutions, which there is no need to name here. It is good that we are through that part of the crisis, that there is such a guarantee and that the tripartite system understands that it has to stand behind the banking system.

The guarantees, offers made and the nationalisation of Northern Rock now going ahead have not solved the problem, however. We are now in what some call the second leg of it. I do not think that the problem has legs; it is a continuing problem that will take some time to resolve, and we have just had another nasty chapter in the story—or drama, if you like—with the collapse of Bear Stearns on the other side of the Atlantic.

Mr. Bellingham: My right hon. Friend speaks with a great deal of expertise, but would he agree that one of the interesting features of the scenario is that the business models of Northern Rock and Bear Stearns had one item in common? The level of deposits in both were low compared with the amount of money lent out to customers and the wider market. However, in the American case, the Federal Reserve intervened incredibly quickly and expeditiously, without any fuss at all, which stands in stark contrast to what happened here. In this country, the taxpayer, as my right hon. Friend rightly points out, is still heavily exposed.

Mr. Redwood: The speed of reaction shows an important contrast. I am pleased that the Bear Stearns rescue took place as quickly as it did because the scope

for further collapses and bear raids on other American banks was considerable, and it is good that the American authorities responded strongly and positively because there would have been knock-on effects across the Atlantic on British institutions.

The American authorities are behaving rather differently from those in the UK. The American authorities believe the crisis to be so serious that they need to do two things: first, they need to keep driving interest rates down, and secondly, they need to continue making large sums of money available to keep the banking system liquid. In the UK, the authorities seem reluctant to move interest rates down because of the persistent but historic inflation we have to live through because of past monetary excess and difficulty, and they are making little money available—although they do occasionally make a co-ordinated effort to help to keep the banking system a little more liquid, as we saw in recent days. We need to ask why the matter is being dealt with in different ways, and which is right.

Critics of the Americans say that it is crass to lower interest rates because there is still an inflationary problem, and they go on to say that lowering interest rates will not make any difference because it is not that kind of crisis. Of course lowering interest rates makes a difference; the crisis is due to the fact that some people cannot afford to pay the interest on their debt and repay their loans. If the cost of the loans is lowered through a lowering of the general interest rate—a lot of the loans are linked to that rate—the process would be a bit easier. Some people will not go bust and some will still be able to afford their homes.

It is a bit odd that people are down on sub-prime lending. I would have thought that some in this House would have been overjoyed that people had come up with a way of letting the poor buy a home. Is that not rather a good thing to have done? It is a great pity that the process was overdone and that those involved did not back off sooner and realise that they needed controls that were a bit tighter, but we do not want to bring the whole edifice down and say that poor people can never borrow money to buy a home. Surely it is good news if the lower interest policy in the United States can see some people through this difficult period.

Martin Horwood: Is not one of the problems with the sub-prime business model that it factors in the cost of debt recovery? In other words, it is based on an assumption that many of the people they are targeting will not be able to afford the repayments that they are being offered. Does that not border on the immoral at times?

Mr. Redwood: All banking factors in the probability that some people will not be able to repay. There is not one single sub-prime business model, but lots of different business models for those making loans to people who are a bit hard up. Of course making loans to those who are hard up is more difficult than making loans to those who are rich, but there are not enough rich people, and there are not enough rich people who want to borrow, so it is necessary to lend quite a lot of money to those who are hard up. The art of banking is in deciding how much one can offer and under what conditions. If the authorities can see more of those poor people through by making sensible interest rate adjustments, I say, "Thank goodness for that", rather than, "Serves them right—let's keep the interest rates high, push more of them under and put them back into the trailer park." That is not a particularly nice thing to do.

Will the policy be inflationary? I find it difficult to understand how people can say that the American authorities are irresponsible to cut interest rates because that will cause inflation, while at the same time they say that America is already in recession—a questionable proposition—and that it will have a hard landing in a very bad recession. If America is going into a bad recession, bankruptcy, unemployment and falling prices, not inflation will be the problem. The crash in house prices will extend to other goods and assets. I am therefore in favour of lowering interest rates in the conditions that we are considering to try to save something from the mess.

Should more money be made available to the banking system? The answer is simple: of course it should. Whatever people think of bankers—I know that several hon. Members are not best friends with bankers or have various political causes on which to fight them—one cannot live in a modern, sophisticated economy without them. We need people who assess risk, make loans and so on. If they get it catastrophically wrong and we push them all under, we simply make our lives worse, too. There must be moderation in the response, and understanding that we must see enough banks and lending through the crisis so that, if we handle it properly, normal life can be resumed and reasonable economic growth can continue. Money must therefore be made available to the banking system.

That brings me to my next policy recommendation to the Government. One reason why UK authorities cannot do much to make the system more liquid is that too many of the resources of the Bank of England and the Treasury have been expended on nationalising Northern Rock. The sooner the Northern Rock position is unwound, the better because our nation and our monetary authorities cannot afford to have so much tied up in a single, medium-sized—by international or even national standards—mortgage bank. Although the sum of money is small in world financial markets, it is large to the British taxpayer and the Government, and certainly to the Bank of England.

When the Bank of England mounted its rescue of Northern Rock, the former was only 40 per cent. of the size of the latter. It was therefore impossible for the Bank of England to mount a full rescue by itself and that is why—I presume—the Treasury got involved and there had to be proper Treasury guarantees and promises. Taking on something the size of even Northern Rock—a relatively small bank by international standards—required the whole weight of the consolidated fund of the UK and the Government's money-raising powers. The Government therefore need to accelerate the process of either running off the business or developing new business under whatever model the managers can devise so that we get the £25 billion back as quickly as possible. The Bank of England would thus have a better profile of assets and liabilities again, and more money with which to play in the markets.

In the meantime, perhaps the Government should consider the financing of the Bank of England money market operations, because I do not believe that it is

[Mr. Redwood]

playing with enough money, and it needs to have a bigger cash reserve available to keep the banking system more liquid during the difficult times. It will not be easy. I am an optimist and I believe that we can get to the other side, but it will require a more intelligent approach by the British authorities than they employed in August and September, and more weaponry in the form of lower interest rates and cash availability in the UK, just as enormous firepower is required in the United States as it, in the eye of the storm, tries to make its way through it more quickly.

The general problem is over-indebtedness worldwide, especially in the American, British and similar economies. The good times were a period of easy credit, when the authorities on both sides of the Atlantic kept interest rates a bit lower than was sensible and either encouraged or turned a blind eye to the most massive build-up of debt under new types of debt obligation and debt structure, which we had not previously experienced. In a way, the regulators fuelled much of that. The Basel rules of capital adequacy told all sensible banks that wanted to grow quickly and increase their profits, "Do so off balance sheet." The rules encouraged—in a way, forced—them to do that. Surprise, surprise, the banks went for massive off-balance-sheet financing.

Now, many in the Government and elsewhere have become critical and say that perhaps off balance sheet was overdone and not properly appraised and controlled. However, the Government are up to their neck in the off-balance-sheet operation because they are the biggest exponent by a mile of such financing in the UK. In the Red Book, the Government show roughly £500 billion of borrowing for the state in an economy of about £1,300 billion. The Government state that they are keeping their debt to around 40 per cent., which is the target that they set themselves.

When I last did the sums and considered the UK in the way in which a finance director would have to examine it to stay out of jail when reporting, rather than by using the Government's method, I concluded that the British state's true indebtedness is £1.3 trillion—£1,300 billion or 100 per cent. of GDP. I reached that conclusion because of the huge unfunded pension liabilities and the large pension deficits in the state sector, the private finance initiative and public-private partnership obligations, publicly owned companies, such as Network Rail, whose debt should be part of the state sector, and now, of course, the full consolidated sum for Northern Rock. Just as Northern Rock consolidated the whole of Granite, so the Government, having acquired Northern Rock, should consolidate the whole of it.

There is, therefore, a large debt on the state sector books, but much of it is suppressed from the general public gaze because of the accounting conventions that the Government deploy, which are so different from those that are required of the private trading sector. The Government need to start reducing their debt burden and demonstrating that they are serious about helping to unwind the debt crisis, taking a different attitude to PFI, PPP, off balance sheet and guarantees of trading companies, into which they entered so liberally in recent years. That would send a good signal and create a bit more financial capacity, which would help the state sector in all sorts of ways. It would help not least the money market, which would have a little more leeway if there are squalls ahead in the private banking sector, which need liquidity or financial instruments to be traded in open market operations.

The Budget was the most extraordinary non-event because it dealt with moving a few hundred millions around in a £1,300 billion economy. I am happy that the elderly will get a bit more help with their fuel bills. One would expect a Secretary of State or a Minister from the relevant Department to make such a statement. One would also expect it to be a good news item. However, Budgets are about influencing the general direction, shape and size of the British economy. If a Chancellor currently wishes to make a decisive impact, the Budget must move around £7 billion, £10 billion or £15 billion. Several billions must be involved if the Chancellor is to have any impact other than a nice warm glow and a few pence in the pockets of a target group that he may wish to woo on Budget day.

The Budget was pre-empted by the supplementary estimates that went through the House last autumn and, more recently, last Monday. From memory, the supplementaries added up to an astonishing £22,000 million of additional spending. Some of that may be good spending and a little of it may be policy change, but most is testament to the fact that the Government have lost control of their public spending. They tell us one thing on Budget day about what they will do and the balance between spending and revenue, then, towards the tail end of the year, in November and March, they set out colossal sums of money and say that, Department by Department, quango by quango, by big or little numbers, huge overruns have occurred. The figures go through automatically, without debate, yet they are far more significant—they will make an impact on the economy—than the measures mentioned in the Budget.

I therefore recommend to the Government that, to try to get the British economy through the extremely difficult period in world finance, we need proper expenditure controls, Department by Department. We also need the side of the Treasury that the Chief Secretary leads to have much more of a grip on and daily information flow about what is happening and what is going wrong in order to intercept the overspends earlier, emphasise that they are unacceptable when it is still possible to do something about them and redouble the efforts, which are stated to be part of the Government's policy in the Budget, to root out the abundant waste, inefficiency and incompetence.

We are now at the point where over-borrowing and indebtedness in the public finances are so gross that we need a complete staff freeze at the administrative grades. That should not apply to teachers, nurses and doctors, of course; indeed, we need to continue recruiting as many as we can afford. The general civil service and the quangocracy, however, is now extremely bloated. We need a control on numbers and we need to start slimming them down by natural wastage. I do not want to fire people—that is expensive and unpleasant, and not a nice thing to have to do—but I want to start shrinking the numbers on the public payroll quickly.

We need pension reform for new people coming into the public sector at all levels, because the gap between public and private pension costs is extremely in favour

of high-cost public sector provision. Above all, public sector pensions will be difficult to afford in the years ahead and are swelling the big deficit on any accurate and honest balance sheet, if we were ever to get one from the Government.

We also need proper control over the use of management consultants and outside advisers of all kinds, which has got completely out of control. We need proper controls over the use of property. It would be a good idea to spend to save on energy, which is topical, given the theme of this debate. We just need professional management, Department by Department, which can start to flush out the excess billions of waste, incompetence and overrun, which the supplementary estimates pick up year after year, but which get so little debate or reporting.

That is a series of positive proposals for a nation battling with a world financial crisis, elements of which are made in Britain, and where parts of the British predicament make responding that much more difficult. I hope that the Government will listen seriously on the need to reform their handling of money markets before there is another disaster or mess. We cannot afford another one, and it was a very expensive rescue that had to be mounted. I hope that the Government will start to tidy up Northern Rock lending as quickly as possible, because that is money that we could not afford to have outstanding, and there are easy and simple ways of getting quite a lot of that money back more quickly.

I hope that the Government will realise that every penny in those supplementary estimates will be borrowed, because nobody came to the House and said, "We've had £22 billion of supplementary estimates, so we need £22 billion of extra taxation." We should at least be thankful for that, but there should not have been £22 billion of extra spending. We need to get to grips with that and start rolling back unnecessary spending, so that we can have the Government under some control again.

Above all, we need the Government to understand that although there is too much borrowing and some of it has to be squeezed, that means doing something at home, in the Government account, as well as just blaming private sector banks in America. It is partly the Government, by going along with the over-borrowing, the off-balance-sheet routes and the clever financing, who have helped to fuel the very crisis that they now say we can ride out more successfully.

7.3 pm

Keith Vaz (Leicester, East) (Lab): I am delighted to take part in this debate on the Budget resolutions. I am pleased, too, to follow the right hon. Member for Wokingham (Mr. Redwood), who entered the House when I did, in 1987. We have both aged gracefully together and we have both acquired spectacles, although he has kept some of his hair. I am afraid that mine has disappeared. Perhaps he spent a little longer in government than me, and perhaps that is why he was able to survive.

I want to praise the Chancellor, because I thought that the Budget was excellent. I am not one of those who feel that he ought to be more of a fun character. There was some press speculation after the Budget asking why he is so careful, and some people even suggested that he may be boring. However, I would much rather have a Chancellor like that than one who walks around with his face painted and a balloon attached to his lapel, ruining the Government.

The Chancellor gave us the right Budget for the right time. This is a time of great instability, as the right hon. Gentleman correctly said. Goodness knows what is happening to the global markets or the economies of other countries. It is right that we should have a carefully measured Budget to deal with the situation that we face.

The Chancellor was right to take the stance that he did in protecting and preserving Northern Rock. The right hon. Members for Wokingham and for Ross, Skye and Lochaber (Mr. Kennedy) will remember the closure of the Bank of Credit and Commerce International, the sixth largest private bank in the world, on 1 July 1991. The then Chancellor of the Exchequer, Governor of the Bank of England and Prime Minister—I am not sure whether the right hon. Member for Wokingham was in the Cabinet at that stage—made the decision to close BCCI.

The bank is still in liquidation, 17 years later. People lost a great deal of money, because in the aftermath of BCCI's closure, the then Prime Minister, John Major, told everybody that it was completely bankrupt and that there was no money left. However, 87 per cent. of the money has been found and the depositors have been paid back most of what they had, although many have suffered greatly because it took so long to pay them back. The bankers—the employees—have found it difficult to find employment. A repetition of the catastrophe that was the closure of BCCI was avoided by the Government. The Chancellor was right to do what he did on Northern Rock, and I am glad that he took that action.

Kelvin Hopkins: May I strongly reinforce what my right hon. Friend is saying? I have a constituent who was an employee of BCCI who lost not only his job and his income, but his home, because he had a mortgage with the bank. He had a terrible time with ill health after that and the whole family suffered because a rescue was not put in place. Had he been even partially recompensed, he would have had a much better life.

Keith Vaz: My hon. Friend is absolutely right. In fact, he wrote to me about the case and I suggested that he write to the then Secretary of State for Trade and Industry, because the Insolvency Service was part of the old Department. In raising BCCI, I simply point out that the Government adopted the right approach this time. Of course it has cost the taxpayer a lot of money, but the alternative would have been catastrophic.

Mr. Cox: Surely the right hon. Gentleman is not comparing BCCI to Northern Rock. BCCI was riven with fraud from top to bottom, but Northern Rock is not in that situation at all. There was no option but to close BCCI, but there should have been swifter action to deal with Northern Rock.

Keith Vaz: The hon. and learned Gentleman is new in coming to the House and is therefore unaware of the campaigns that were prosecuted for two decades. BCCI

[Keith Vaz]

was not full of fraud. If it had been full of fraud, the money would have disappeared. If he would listen to me, I just said that 87 per cent. of the money was in the bank. If he recalls the time—he is younger than I am, so he was probably at school—

Mr. Cox: I defended some of the people who were responsible.

Keith Vaz: Yes, there were some people involved, but that applies to any bank. However, the bank as a whole was not full of fraud, because 87 per cent. of the money has been found. The rest of the money found its way into the pockets of liquidators, who still proceed to liquidate the bank. That was the right approach. Whether there was some element of unsavoury activity—the hon. and learned Gentleman had clients at BCCI whom he defended—the fact remains that if Northern Rock had been closed, the consequences for those employed and those with mortgages would have terrible, and we would be hearing about what was happening to them year after year. Indeed, if Northern Rock was called "Southern Rock", the attitude of right hon. and hon. Members on the Conservative Benches would have been quite different.

I am pleased that the Chancellor put 4p on a pint of beer, 3p on a pint of cider, 14p on a bottle of wine and 55p on a bottle of spirits. That is partly because I do not drink alcohol, so the increases do not have a direct effect on me, but also because that was the right approach to take if we are to be serious about the health of the nation, as was the decision to put up tax on cigarettes and cigars. As the House knows, 50 per cent. of crimes in this country are alcohol-related. The Select Committee on Home Affairs has just begun an inquiry into the number of crimes committed by those under the influence of alcohol. What has shocked us in the evidence that we have received so far is the universal wish of the victims of such crimes for the Government to do more to tackle the availability of alcohol.

Kelvin Hopkins: I strongly agree with my right hon. Friend. Would he like to see an even stricter regime, perhaps involving a minimum retail price for alcohol based on its alcoholic content, and stricter measures to control the flood of cheap alcohol coming in from the continent of Europe?

Keith Vaz: My hon. Friend again anticipates me; he is absolutely right. I shall talk in a few moments about supermarkets and about what happens on the other side of the channel.

Alcohol consumption has been rising steadily for the past 15 years. Figures suggest that one third of men and one fifth of women drink more than the recommended level each week, and alcohol-related deaths have more than doubled since 1991 to over 8,700 a year. The British Medical Association has stated that a 10 per cent. rise in price could cut such deaths by up to 30 per cent. Evidence from Finland suggests that that could be right. A 33 per cent. cut in excise duty there in 2004, introduced to deal with cheap imports, led to a 17 per cent. rise in alcohol-related mortality. We therefore welcome the Chancellor's decision not to reduce the price of alcohol.

Martin Horwood: Would the right hon. Gentleman have liked the Chancellor to differentiate more between beer—on which it is quite difficult to get drunk very fast—and spirits such as vodka and rum, which are used in the mixer drinks that seem to be causing a lot of the problems? I suspect that the same would have been true in Finland.

Keith Vaz: As I have said, I am not an expert on beer drinking, but I have seen many people get very drunk on beer. People can get drunk on beer, although I have never had the pleasure—perhaps I should not call it a pleasure—of being in that position. I understand the hon. Gentleman's point. The Chancellor has not differentiated in that way, however; he has put the price up on all of them.

One of the witnesses to appear before our Committee will be Helen Newlove, whose husband was murdered in an horrific attack by youths who had been drinking heavily. Only last week, while launching a campaign called "Mothers in Arms" in *The Sun*, she urged the Government to do more to stop people drinking to excess. The British crime survey of 2006-07 revealed that 46 per cent.—nearly half—of all violent crimes were believed to have been committed under the influence of alcohol. That figure rose to 58 per cent. in cases of attacks by people unknown to the victim. In more than 1 million violent attacks, the aggressors were believed to be drunk. I therefore very much welcome what the Chancellor has done.

There is, however, an area in which the Chancellor could do more. I am pleased to see my hon. Friend the Member for Wallasey (Angela Eagle) on the Front Bench. I believe that her title is Economic Secretary to the Treasury.

The Exchequer Secretary to the Treasury (Angela Eagle): Exchequer.

Keith Vaz: The Economic Secretary to the Exchequer?

Angela Eagle: No, I am the Exchequer Secretary to the Treasury.

Keith Vaz: Great! I am glad that I have now caught up with the recent changes to the Government's lists.

The Government should do more in respect of what my hon. Friend the Member for Luton, North (Kelvin Hopkins), as well as the chief executives of Tesco and Asda, have said. I am not normally in agreement with the chief executive of Tesco, bearing in mind the huge Tesco store that was created on the north-west side of my constituency and the fact that it does not always collect its trolleys on a Friday. However, he, and the chief executive of Asda, were right to say that the availability of cheap alcohol—which is virtually given away in supermarkets, although it is not entirely free—means that young people can either go in and buy it, or get other people to go in and buy it for them. I am afraid that the number of prosecutions of people involved in such activity has been very small. It is not just a question of putting up the tax on alcoholic beverages; we must also look at the role of supermarkets and other retailers.

I commend the Chancellor's proposals on pensions. The decision several years ago to raise the state pension by, I think, either 1p or 10p remains a blot on the history of this Government. That was a terrible error of judgment. The measures in this Budget are the right thing to do, however. It is right to raise the winter fuel allowance from £200 to £250, and from £300 to £400 for those over the age of 80. That is exactly the right approach to dealing with spiralling energy costs. It was right, too, to increase child benefit to £20 a week and to bring that forward by a year.

I shall not spend much time dwelling on the environmental aspects of the Budget, partly because the Secretary of State for Environment, Food and Rural Affairs made such an eloquent speech that there is no need for me to repeat everything that he said. I very much agree with what he said, and I am glad that he had the opportunity to put forward those views. Like all hon. Members, I am deeply concerned about climate change, and about what Governments such as ours can do on their own without the support of economies such as India and China. My hon. Friend the Member for Middlesbrough, South and East Cleveland (Dr. Kumar) is the chairman of the all-party British India group. It is all very well to say to the Indian and the Chinese people, through their Governments, that they have to control their growth, while we—and the United States in particular—continue to do what we are doing and to make the ozone layer even thinner and the hole in it even bigger.

This Government are taking the right approach to climate change. I drive a Toyota Prius. I have done so for the last eight months, and I am glad that I bought it before all the Budget changes. I am sure that many people will now be rushing to buy these green cars. It also saves me a lot of money because I do not have to pay the congestion charge. I am not a walking advertisement for Toyota, but I believe that it is important that other car manufacturers follow its lead. The choice of such vehicles on offer at the moment is not that great, as we can see when the ministerial cars rush into Speaker's Court. Unfortunately, I have got into the wrong car once or twice, believing it to be my own, and surprising the Minister sitting in the front seat. The choice of such vehicles should increase greatly, to allow more opportunity for people to buy them.

This is an excellent Budget. It is the right Budget at the right time, given by the right Chancellor, and I wish the Government well in ensuring that it passes through the House without difficulty.

7.17 pm

Mr. Henry Bellingham (North-West Norfolk) (Con): I am sorry that the right hon. Member for Leicester, East (Keith Vaz) got into the wrong car. His story reminds me of ministerial retirements, when the former Minister gets into the car but nothing happens. At least the right hon. Gentleman got into his own car eventually and drove off. It is always a pleasure to follow him in a debate. I listened to his maiden speech, and he has always been an assiduous campaigner on a number of issues. He touched on many different aspects of the Budget today.

I want to focus on two subjects that affect my constituency deeply. One is small businesses; the other is the plight of pensioners. As many of my colleagues have pointed out, this Budget was memorable for being very boring, and for having a great deal hidden away. For example, one of the most significant parts of the Budget was not even mentioned by the Chancellor in his Budget speech. That was the raising of the earnings ceiling for national insurance by £100 to £770 a week, which will mean that anyone earning more than £40,000 will pay an extra £520 a year. That stealth tax has been hidden away, and I wonder how many other horrors are lurking in the fine print. Perhaps this is not surprising, however, given that this country has the largest budget deficit in western Europe.

It is tough out there for small businesses at the moment. The report produced by the British Chambers of Commerce in March 2008 stated on page 5:

> "Small firms will be particularly vulnerable in an environment in which lenders become more risk averse. Even if official interest rates fall, small firms may find it harder and more expensive than in previous years to borrow. If you add these factors to the UK's growing regulatory burden—the cumulative cost of new regulation to business since 1998 is now nearly £66 billion—then SMEs are going to find it tougher to grow in the coming year."

The most recent quarterly survey of the small business trust looked into the barriers to growth, which are consistently cited by small businesses as taxation, employment regulations and business rates. It states:

> "For small micro-businesses, taxation is clearly the priority, followed by increased concern over late payment and bad debt. The small businesses employment regulations remain the main barrier to growth, then taxation."

Unfortunately, although on examination the Budget contains some small plus points for small businesses, at a time when those businesses are facing many serious challenges those plus points are not nearly beneficial enough to wipe out the minus points.

Of course we welcome the further £60 million allocated to the small firms loan guarantee scheme—an excellent scheme, brought in under the previous Conservative Government—which will support a 20 per cent. increase in lending. We also welcome the £12.5 million from the Treasury for a venture capital fund to back women-owned businesses. Furthermore, there is a new £30 million enterprise capital fund to help provide debt and equity finance for small and fast-growing businesses. The Chancellor, in common with previous Chancellors over the last 10 years, has said that the Government are now going to make a real effort to bear down on regulation. Well, we have heard that before. We are also to have a review of Whitehall procurement to see how the 30 per cent. procurement figure can be reached by small businesses.

All that is positive news, and although we are talking about a few tens of millions of pounds here and there—I do not begrudge it—those measures pale into insignificance when compared with the £1 billion hit that small firms will have to take as a consequence of the increase of 21 per cent. in the small firms corporation tax rate. We also need to compare any positive changes with what is happening on the capital gains tax front. CGT on business assets, as announced last year, is going up by 80 per cent. to 18 per cent. Despite the new entrepreneurs relief scheme announced by the Government, that is still very bad news indeed.

Small firms also have bearing down on them like an express train the Government's plans to hit income shifting or income splitting. Of course I welcome the

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delay until next year and the fact that there will be further consultation, but surely after all the Government have done to try and encourage husband and wife businesses and small businesses to incorporate, that is exactly what the Government should not be doing.

I am also very concerned, as is the whole small business community, about the plans announced in the Budget fine print to give tax inspectors the right to turn up unannounced to demand records at a premises without an official warrant. I find that very disturbing. I know that the Government are very keen to give tax inspectors the same powers as customs officials, but they perform very different roles. Customs officials can, quite rightly, bug telephones to intercept letters and e-mails in the fight against drugs and gun crime. I believe that giving tax inspectors this power of entry without an official warrant will undermine trust and confidence in the small firms sector. When combined with the Government's other plans to require banks, building societies and other third party operations to hand over customer records, we clearly have a recipe for the destruction of confidence in this sector and a worsening of its relationship with the Government.

Small businesses face many particular and difficult challenges in rural areas, so will this Budget help them at all? It may provide a small amount of help at the margin, but it certainly will not help those post offices whose closures are due to be announced later this week. In my constituency, there may be 17, 18, 19 or 20 small post offices closing, in addition to the dozens that have already closed in such areas and in addition to those already closed in towns under the Post Office urban renewal scheme.

We now hear in today's press that sub-postmasters will not get compensation if they offer within one year lottery or bill payment services or set up private mail or courier services. If they offer those services, they will not receive the compensation, which I find quite disgraceful. I am sure that Opposition Members who represent rural constituencies will feel the same—[HON. MEMBERS: "Hear, hear."] Why are the Government restricting the trade of sub-postmasters when all they have left is their village shops and of course they want to offer other services?

I feel very strongly that it is not just post offices, but other businesses in rural areas that are suffering. Let us consider pubs or public houses, which are so often the focal point in villages. Up and down the country, 56 pubs are closing every month. They are being sold off for housing or for development and they are faced with many problems arising from the smoking ban, the availability of cheap drink in supermarkets, the impact of the breathalyser and so on. I am not saying that we should not have had some of those changes, but now is not a good time for the Budget's increases on beer, wines and spirits, which will hit pubs disproportionately and put extra pressure on public house trade.

If I look around my own constituency, I can find umpteen examples of pubs that have closed over the last few years. The Hogshead in King's Lynn high street closed recently, and in today's press, the Woolpack in the same town is reported as saying that trade is down by a third. There are many other examples of pubs threatened with closure, although there are one or two brighter lights. I opened a new refurbished pub last Friday—the Crown in Middleton, which has been bought by an entrepreneurially inclined publican who has three gastro-pubs. He has done a complete refurbishment in that pub and I was extremely impressed by the work he put in. I have no doubt that, with his determination and the staff's commitment, that pub will be a great success. On the other hand, the outlook is bleak and it will only get worse, thanks to the changes announced by the Chancellor in the Budget.

What about the elderly and pensioners in our constituencies? The hon. Member for Nottingham, South (Alan Simpson) made an excellent speech on that subject and his arguments were reinforced by the hon. Member for Leyton and Wanstead (Harry Cohen). Much of the very good work done by the Warm Front initiative has now been undone—so much so that 4 million households now face fuel poverty.

Many pensioners in my constituency—and in the constituencies of my hon. Friend the Member for Leominster (Bill Wiggin) and my hon. and learned Friend the Member for Torridge and West Devon (Mr. Cox)—are trying to budget more efficiently with pre-paid meters, but are penalised for doing so. That needs to be looked into further. I certainly agreed with the hon. Member for Nottingham, South when he said that the winter fuel payment increases were welcome, but were certainly not likely to make up for the continuing increases in fuel prices.

There is one other measure in the Budget that many pensioners in my constituency will find very difficult to understand—the abolition of the 10 per cent. income tax band, which will have a serious impact. Many pensioners who retired before 65 and are on modest incomes of between £5,700 and £16,500 will be seriously disadvantaged. On an income of £10,000 in 2007-08, they would pay £782 in tax, but the abolition of the 10 per cent. tax band will mean such a pensioner having to pay about £150 more. That is a lot of money for people on fixed incomes. Those are the same people who have been subjected to year-on-year inflation-busting increases in their council tax bills.

I do not blame Norfolk county council, the main precept raiser in Norfolk, as it has been asked to provide many more services and functions with less Government grant. It has been asked to take on those commitments and it is providing those services, but it has been faced with the invidious choice of either cutting services or putting up the council tax. It has gone for modest council tax increases, but year on year, those are inflation-busting. Of course, the increases will hit hardest of all those people on fixed incomes.

In my constituency, those people—the pensioners in particular—will also be hit by the closure of post offices. They have been hit, too, by the increase in motoring costs. Often, their one luxury is going down the pub. That is also being penalised, so their quality of life is deteriorating, but we heard nothing in the Budget that will put their minds at rest, certainly as far as the council tax is concerned. Therefore, I urge Ministers and the Secretary of State to consider devising a scheme to give pensioners a discount on their council tax. That is what my party offered at the last election, and indeed at the election before that. We offered a straightforward non-means-tested discount to pensioners, because we felt the council tax was simply far too great a burden for many millions of people up and down the country.

This has been an interesting debate so far, and it goes on, but as a number of my hon. Friends and Labour Members have pointed out, we live in frightening times. A characteristic of the 2008 Budget is giving with one hand and taking away with the other. Yes, the Government have tried to be green, but the hon. Member for Nottingham, South demolished their green credentials. I hope that I have shown that their small business credentials do not add up to a row of beans. Furthermore, there is little joy for pensioners.

Earlier today, the Prime Minister talked about regulating sovereign funds. Is it not ironic that this country does not have a sovereign fund? Norway has one, as do many other countries around the world. We cannot afford one. It is a sad indictment of the Government and their economic policies over the past 10 years that the fiscal, trade and budgetary positions are at such low ebb just when the sub-prime credit crunch and the worldwide recession are starting to bite.

My right hon. Friend the Member for Witney (Mr. Cameron), the leader of my party, was quite right when he said that this Budget is characterised, above all else, by the general perception of the markets out there that the Government have no room for manoeuvre because they did not put money aside when times were good. Unfortunately, it is our constituents who will suffer, and they will do so because there is not that room for manoeuvre, not least to implement those green policies, which the Government promised us on so many occasions.

7.32 pm

Kelvin Hopkins (Luton, North) (Lab): It is a great pleasure to follow so many good speeches. There are too many to mention, although I shall refer to one in particular: the superb contribution—someone else's description—from my hon. Friend the Member for Nottingham, South (Alan Simpson). His mastery of the world situation and of the energy world is unparalleled in the Chamber. I am sure that no one feels uncomfortable about my saying that.

I was, 27 years ago, the joint author of a substantial booklet entitled "Energy—A Planned Policy" for the National and Local Government Officers Association. We wrote a lot about renewable energy, and one could read out chapters of that book now and they would sound current, because the things we are saying now we were saying then, all that time ago. We were beginning to become aware of the problems of carbon dioxide in the atmosphere, and we knew that we had to change the way we produced and used our energy. We said all sorts of things at that time.

Depressingly, the money spent by the Government on renewable energy research was tiny at that time, and it was cut just after we published our pamphlet. All these years later, it is not so surprising that Germany has 360 times more installed solar capacity than we have—so much more capacity for a country that is not much bigger than ours—and 10 times more installed wind capacity. Those staggering figures showed that the Germans looked ahead, whereas we did not. We now realise that we are way behind and are trying to catch up.

We are an island surrounded by waves, so we have the potential for tidal power on the Severn and elsewhere—indeed, possibly on the Thames. We have wind power and all sorts of possibilities. This country is not that sunny compared with Africa or even southern Europe, but we have sufficient sun for solar energy to make a major contribution. However, we have not done that and we are trying to catch up.

I am pleased that my right hon. Friend the Secretary of State for Environment, Food and Rural Affairs has come back to the Chamber to listen to my speech, although he is perhaps here not specifically for that purpose and just happens to have returned while I am speaking. I hope that he will use his influence in the Cabinet to argue for much more radical renewable energy measures, to ensure that we start to make progress and try to catch up with Germany and the others who are so far ahead of us. We need to do so.

I want to talk more broadly about the Budget. Like others, I think it is a "wait and see" Budget. I think that the Chancellor looked over a chasm and thought, "I am not going to do anything too radical today, because tomorrow there may be all sorts of problems, depending on what happens in the American economy in particular." So, he has made relatively marginal changes—some of them welcome, and I applaud him for that—but done nothing very radical.

If, as seems likely, recession takes hold in America, spreads to the rest of the world and has some effect on us as well, the Chancellor may need to take more radical measures to deal with it, but if we have a recession of any kind, one should expect a spending deficit, because that is what happens in recessions. One does not want a tightening of fiscal policy at the beginning or in the middle of a recession. We should be relaxing fiscal policy, and we may need to do so.

We are now realising that we must re-establish the importance of all the levers of macro-economic policy and put them in the hands of the Government. Interest rates—in theory at least—are with the Bank of England, but it is unthinkable that the Bank would look at just the inflation rate and decide interest rate policies on that basis. It must consider the performance of the economy as a whole. Unusually, I agree with the right hon. Member for Wokingham (Mr. Redwood), who said that the last thing one wants to do in a recession is raise interest rates to deal with inflation. Inflation will be ironed out by the recession.

Much more dangerous than inflation at such times is deflation, as the Japanese found in the 1990s. Falling prices and people abstaining from spending because they anticipate price falls can create a vortex that causes terrible damage to an economy. That must be resisted at all times. Apparently, the Japanese have as a national characteristic a compulsion to save all the time. In recessions, we want people to spend, not save. The Japanese Government apparently gave tokens to poor people to get them to spend—they would not spend money—but they started to save the tokens, so there was a serious problem. Deflation is much more worrying than inflation and the Government should ensure that the Bank of England does not start tightening interest rates at this moment. In my view, interest rates should indeed be considerably more relaxed.

One recent benefit that we have had is, at last, the beginnings of a fall in the exchange rate. I have argued for years that we should manage the exchange rate down to a much more competitive rate. Looking at the

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state of the balance of trade, it is clear that we have a structural problem, not a temporary problem. The exchange rate was too high and a permanent structural trade deficit was the result.

The exchange rate falling is naturally good for us, but that ought to be a deliberate instrument of Government policy, not just something that happens. I hope that the Government will welcome that fall in the exchange rate and press the Bank of England not to raise interest rates. If anything, they should press the Bank to reduce them.

David Taylor (North-West Leicestershire) (Lab/Co-op): I am grateful to my hon. Friend for giving way to a former NALGO member. He talks about the need for a fall in the value of the pound, but in recent months it has fallen by about 15 per cent. against the euro. He suggests it should fall even further. Does not all that point up the correctness of the policy of the former Chancellor, who is now Prime Minister, to keep us out of the euro currency zone at any cost, by means of his five tests? Was he not right in that and proved correct in the face of all the new Labour opposition that he had to put up with?

Kelvin Hopkins: My hon. Friend, as he often does, anticipates one of the major aspects of my speech: to applaud the Prime Minister for keeping us out of the euro. It is unlikely that we will go into it now, but had we been stuck in the euro, we would not have depreciated and we would have been in much more serious economic trouble, so my hon. Friend is right.

The third lever of economic power is fiscal policy. People seem to be exercised a great deal by not only the fiscal stance—the balance between expenditure and income—but whether we should run a debt. One certainly should not tighten fiscal policy during a recession or difficult times—during a downturn in demand—but there are ways in which one can maintain a reasonable balance if one is prepared to tax in the right way. Rich people tend to save most of their money by putting it in banks—

David Taylor: Offshore.

Kelvin Hopkins: Sometimes they put their money offshore. Those people have a low propensity to consume, as it is called in the jargon, so taking a little bit more money away from very rich people does not damage demand in the economy a great deal. If that money is handed to pensioners, poor people and families with children, who tend to spend every penny that they get to live on, that helps to sustain demand in the economy. That is a simple way of keeping the economy going while not having too big a spending deficit.

We can deal with the situation, provided we are prepared to collect the money. My hon. Friend the Member for Leyton and Wanstead (Harry Cohen) cited an excellent book produced by the TUC, "The Missing Billions: The UK Tax Gap", which sets out the amounts that could be collected, but are not. It estimates Treasury losses due to tax avoidance at about £25 billion a year, £13 billion of which is from individuals and £12 billion from the largest corporations. This tax avoidance is not illegal, although, as Denis Healey said:

> "The difference between tax avoidance and tax evasion is the thickness of a prison wall".

I will not pursue that, but some tax avoidance comes pretty close to tax evasion. If the existing rules were strictly enforced and there were sufficient tax inspectors to collect all the tax, we would rake in many more billions.

That is the situation without looking at indirect taxes. "Measuring Indirect Tax Losses—2007", a fine book produced in October by Her Majesty's Revenue and Customs, draws attention to the vast amounts of revenue lost, especially through VAT fraud. The VAT tax gap is about £13 billion. The book also examines tobacco and alcohol duties. Tobacco smuggling alone accounts for a loss of about £3.5 billion a year.

Large sums could thus be collected without changing tax rates at all. I have done a quick calculation, and although it might involve some double-counting, it shows that £56 billion a year is lost. Let us talk about a third of that sum: £20 billion a year, which would be extremely useful. We could use it to help pensioners and children more. We could spend more on investing in energy conservation and alternative energy. We could even close the budget gap a little more and reduce Government debt. If we collected that money, we could choose to do those things.

Harry Cohen: I also have a NALGO connection. My hon. Friend and I—he, like me, is an old class warrior—would like to see resources going to the working class. Will he comment on the link between the ultra-rich and the middle class? Given that there are so many loopholes and tax fiddles, the ultra-rich are virtually paying less than the strata just below them: the middle classes. The middle classes are picking up the burden.

Kelvin Hopkins: I agree entirely with my hon. Friend. Many hon. Members will have read the "Green Budget" report by the Institute for Fiscal Studies, which points out that the bottom two deciles of the population have benefited slightly under our Government and the top two deciles have benefited fairly considerably. However, those in the middle have lost out, and one of the reasons is the gradual creeping down of the higher rate tax threshold. If that threshold had been raised—indexed, effectively—over time, many people who are paying 40 per cent. tax would not be doing so and would be better off. There are other factors that explain why those middle-of-the-road people—the very people whom all parties want to reward, because they tend to vote and to be the sort of people whom we want to persuade to vote for us—are not doing very well at the moment.

David Taylor: My hon. Friend talks about the very rich. Does he recall that the former right hon. Member for Hartlepool—now a European Commissioner—talked about new Labour being "intensely relaxed" about people becoming filthy rich? We heard an echo of that just a few days ago from the Secretary of State for Business, Enterprise and Regulatory Reform. Is my hon. Friend intensely relaxed about such comments from people at the top of our party?

Kelvin Hopkins: I am not at all relaxed about that. I have no envy in my nature at all, but I believe in justice. Social justice requires that the rich should pay a little bit more—a lot more, in fact—and that the poor should benefit from that extra taxation on the rich.

I remind Conservative Members of the tax regime that operated when Mrs. Thatcher won power.

Mr. Bellingham: Ninety-eight per cent.

Kelvin Hopkins: Under Denis Healey, the top marginal rate was 83 per cent. and there was a 15 per cent. surcharge for unearned income on top of that, so some people were paying 98 per cent. That was possibly a bit extreme—*[Interruption.]* They were difficult times. However, 40 per cent. is considerably lower than that. Nudging up the rate for the very rich would not be a bad thing.

David Taylor: Would my hon. Friend be surprised to learn that in the 11.5 years—those halcyon years, as Conservative Members often refer to them—when Mrs. Thatcher was Prime Minister, the proportion of gross domestic product taken by taxation was a full four points higher than it has been in the first 11 years of this Labour Administration, who, of course, have many years to run?

Kelvin Hopkins: I am surprised and disappointed. There is a lot of talk about child poverty. The proportion of children living in poverty in 1979 was considerably lower than it is now. We could deal with child poverty immediately, but it would take an act of great political will to redistribute income massively from the rich to the poor. However, that is not impossible. In Sweden, child poverty is a fraction of that in Britain. I ask the Ministers present, especially those from the Treasury, to think about that. I do not expect it to happen overnight. However, we should aim to achieve it quickly, hopefully before the next election, because I am sure that we would be rewarded electorally for such action.

I want to say a little about the income tax regime. I was unhappy that we abolished the bottom 10 per cent. income tax band. Additionally, the threshold for the 40 per cent. band reaches down too low. I suggest that we put back the 10 per cent. rate, have a 20 per cent. band, and introduce a 30 per cent. rate for those on the lower part of the 40 per cent. band to reflect where the 40 per cent. band should really start. To compensate for that, we should have higher tax bands beyond that. My simple rule of thumb—I think that I suggested this last year—is that there should be a 50 per cent. rate for taxable incomes over about £60,000, and a 60 per cent. rate for those over £100,000. I do not think that anyone would find that unjust.

I remember attending a meeting some 15 or 18 years ago with people from the City. They said that they had been watching the 1988 Budget, at which time Nigel Lawson was the Conservative Chancellor. As we all remember, Nigel Lawson reduced the top rate of tax from 60 per cent. to 40 per cent. Those people who worked in the City had looked aghast at the television screen and said "But we do not need the money!" That is the spirit that I want to see now. A small number of fading pop singers might emigrate because we had raised their taxes slightly, but I think the great majority of people would accept such a measure if they felt that it was fair and just and would help get rid of child poverty, raise pensioners' living standards and deal with energy problems. I believe that, ultimately, people are fair and just.

My final point is about pensions. The Chancellor rightly raised the winter fuel allowance, but I do not think it has been raised enough, and I should like it to be paid differently. I think that it should be paid as part of the basic state pension, but that people should be given double payments before and after Christmas. It would be easy to administer, everyone would receive it, and it would be taxed. The rich would not receive a tax-free lump sum at Christmas, which is what happens at present. If the sum were built into the basic state pension and taxed, it could be recycled to make a larger winter fuel allowance for those at the bottom of the income scale who pay little or no tax. I believe that that would be a much fairer and more sensible system that would be welcomed all round.

It would be possible to speak at greater length about all the matters that I have raised, but I think that I have had my time.

7.51 pm

Mr. Charles Kennedy (Ross, Skye and Lochaber) (LD): We are all aware of the constraints within which the Chancellor operated this year. We are also aware of the sense of a gathering international storm which we hope will not engulf our own economy and others across Europe: the credit crunch and all the rest. But despite the massive considerations that clearly conditioned so much of what the Chancellor could do or was prevented from doing, when some of the headline announcements in the Budget are set not in the immediate context or the context that has developed internationally since last summer but in the context of the last decade, we see that very little in the Budget does any more to redress the growing sense of social imbalance that has been such a feature of this Labour decade.

Until now, the economic situation both domestically and internationally has been benign. We should give credit where credit is due, although the Government ought perhaps to acknowledge responsibility where responsibility is due. A good deal of the domestic situation has to do with the stewardship of the former Chancellor, now the Prime Minister of the country. The sad fact is, however, that despite the undoubted greater wealth generated in the country, the social division between those at the bottom end of the income and opportunities spectrum and those at the top end has both widened and deepened, and the Budget has not redressed that. Because of the circumstances it was probably not possible for it to do so, but I think that in the context of fundamental social justice it is worth repeating that point.

I want to discuss, specifically and briefly, three aspects of the Budget from the point of view of my constituency and my part of the country in the highlands of Scotland. They are the impact of fuel duties, the policy on post offices and the issue of housing debt. On fuel duties, I want to deal not with decisions and announcements in the Budget—that is a

[Mr. Charles Kennedy]

side argument for another day—but with the absence of something for which I and others have called for many years: a fairer approach to fuel duties, given that, as the Chancellor himself has acknowledged, they are being levied on this occasion with not just the environmental agenda but the revenue-taking agenda in mind.

As I have said, the campaign in which I and others have been involved goes back many years. I first raised the issue in Brussels, along with my friend Jim Wallace, who was then Member of Parliament for Orkney and Shetland and who went on to become a Member of the Scottish Parliament and Deputy First Minister of Scotland. Jim and I worked closely on the issue in the 1980s and beyond, and spent a great deal of time exploring how other European Union member states were able to deliver derogations on fuel duties if their geography involved, for instance, islands or considerable areas of peripherality, if their Governments were enthusiastic about the idea, and if fuel costs had a disproportionate impact on fragile, socially remote areas.

Throughout the subsequent years—indeed, decades—the Treasury in Britain has set its face against that like flint. Civil servants and Ministers do not like derogations: they do not like them in Whitehall, and if truth be told they are none too keen on them in Brussels either. But where there is a political will there is a way. We have seen the system delivered in other EU member states, although it has never been delivered here.

Let us take one vulnerable example in my constituency, a very small, remote community on a peninsula on the west coast called Applecross. From time to time, Applecross has a petrol station. I use the words "from time to time" advisedly, because the petrol station tends to come and go depending on community initiatives of one kind or another, on the existence of a willing supplier, and on general concerns related to viability. Travelling from Applecross to the nearest permanent petrol station involves a round trip of 35 miles, and the price paid at the pump in Applecross compared with that paid in the metropolis called Inverness—let alone in the central belt of Scotland or the south-east of England—is gigantic in terms of mark-up. In a community where there is very little in the way of viable or regular public transport to meet people's needs, the motor vehicle is in no sense a luxury; it is an absolute necessity. Such communities would benefit from a derogation which the Treasury could pursue at Brussels level, and which would deliver a fairer distribution of the fuel tax take. It is very sad that the Chancellor did not visit that issue in the Budget.

The hon. Member for North-West Norfolk (Mr. Bellingham) raised the subject of post offices in what I thought was a very good speech, particularly in relation to that issue. In the last week, we have seen the result of the "consultation"—I think that word should be in inverted commas—that the Post Office carried out in my part of the country on its proposed closure programme. The consultation received more than 1,000 responses, which is a lot in the context of the Scottish highlands. Of the 29 proposed closures, 28 will now take place; one post office has been reprieved.

I cast no aspersions on that reprieved post office, which happens to be in the constituency of my hon. Friend the Member for Caithness, Sutherland and Easter Ross (John Thurso), but it does seem remarkable that a so-called genuine consultation exercise should result in only a single alteration to the original blueprint. To me that does not smack of genuine consultation. My other parliamentary neighbour, my hon. Friend the Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander), is to open an Adjournment debate on the issue in Westminster Hall at lunch-time tomorrow, and he will go into more details. I will say now, however, that the Budget contains nothing at all that shows, against that backdrop—particularly in fragile rural areas—a commitment to making the surviving post office network genuinely sustainable. That is the bigger long-term worry. This is not by any means the end of the story: it is the second round of Government closures. If the Government persist in office, I will not be surprised if they are back for a third and subsequent rounds of closures. That must give rise to great concern about the underpinning of the rural economy.

Mr. Cox: Has the right hon. Gentleman heard, as I have during the process of network change, as it is called, that some of the smaller, most fragile and vulnerable post offices, which one would think were the easiest candidates to pick off, are being left intact, and that some of the profitable ones are being closed? The suspicion is that the vulnerable and small ones are being left intact so that they can be picked off later.

Mr. Kennedy: I thank the hon. and learned Gentleman for that helpful contribution. He makes a telling point, which many of us in our respective areas have heard expressed, not least by those who are most knowledgeable about the operation of the post office network and who know only too well how the management and leadership of the network tend to go about their business in getting the ducks lined up steadily over a number of years and proceeding with the original blueprint, albeit perhaps with a slightly extended time scale.

To complement the point that the hon. and learned Gentleman has made, I would point out that, apart from the formal consultation that has taken place on the hit list, or the checklist, of likely casualties, other closures are already taking place, under the radar, under the guise of temporary closures. The sub-postmaster or postmistress, for whatever personal reasons it may be—retirement, or moving on to something else— gives up the tenancy and the professional contract to provide those Post Office services. That outlet then undergoes a period of temporary closure, but all too often that temporary closure slips into permanent closure. That does not appear necessarily on the radar as part of the formal consultation, but the impact in many of these communities is every bit as real because the net conclusion is identical. Therefore, not least in rural Britain, there is disappointment that the Budget is not taking more cognisance of the effects of other Government policies. Most of the measures in the Budget are certainly not seeking to ameliorate those effects.

The third point concerns housing debt. Obviously, post-devolution, responsibility for housing policy generally in the Scottish context is transferred to Holyrood and to the Scottish Parliament, which is right and proper. However, I have been in correspondence

with the Treasury because there is still a reserved aspect to that, and UK Treasury reserved powers are involved.

I requested of the Chief Secretary to the Treasury earlier this year a meeting with colleagues from the Scottish highlands to press our particular concerns about what has happened there. They are particular to the Scottish highlands, but they are not unique in the UK by any means. Housing debt there, running at approximately £160 million, remains with the councils after tenants locally, in a highlands-wide referendum, rejected the stock transfer proposals. The difficulty is that councils in that position need to be given an option by the Treasury to help them to address the existing maintenance backlog as well as to expand affordable housing stock. At the moment, they are caught in the middle. They can do neither, because of the position they find themselves in. In an area such as our own, it is especially pressing owing to the enormous difficulties in meeting energy efficiency and fuel poverty standards—in many areas there is an absence of domestic gas supply—against a backdrop of soaring fuel bills. I hope that the Minister or the Whips who are listening will be able to encourage a positive response from the Treasury to our request. There is a genuine desire to have a serious and constructive discussion about that matter because it is a pressing one.

Despite the constraints that I touched on at the outset of my speech, which are obvious and unavoidable at the moment, and therefore the somewhat non-event nature of quite a lot of this Budget, perhaps we shall look back in a year or two and say that the most significant aspect of the non-event Budget was that it flagged up the fact that the main event will be pushed back to 2010, rather than 2009, by which I mean a general election. However, within those constraints and against that backdrop, I think that on those three areas in particular—fuel duties, the future of post offices and the Post Office network, and housing debt—for large swathes of Britain and for my own part of the country in the highlands, there is much disappointment that there is nothing at all in the Budget to address them. For that reason, among others, I will oppose it in the Division Lobby tomorrow night.

8.6 pm

Mr. Geoffrey Cox (Torridge and West Devon) (Con): I do not propose to take long.

Mr. Brooks Newmark (Braintree) (Con): Please do.

Mr. Cox: I am very grateful. I thank my hon. Friend.

The position that I have found myself adopting as I listened to the debate is one of considerable surprise, because there appears to be an emerging consensus. My hon. Friend the Member for East Surrey (Mr. Ainsworth) advanced the proposition that there was a lack of coherence and vision in the way the Government, and particularly the Chancellor, initiated their environmental measures. It was somewhat surprising that perhaps the majority of Labour Back Benchers agreed with my hon. Friend. In an excellent speech, the hon. Member for Nottingham, South (Alan Simpson) put his finger on the problem: what is lacking in the Budget is a sense of vision and a coherent understanding of the necessity not for a few piecemeal and fragmented measures but for a coherent policy.

My right hon. Friend the Member for Wokingham (Mr. Redwood) said that Budgets should be about grand orientations. This Budget was not a grand orientation towards environmental policy as a driving factor in economic strategy. It was about a number of tax-raising measures that seemed to have the cloak and disguise of being green, but did not have a centre and a heart. The hon. Member for Nottingham, South put it well when he said that behind the Budget there did not seem to be any central vision.

I have been asking myself as I have been listening to the debate why it is that the constituents whom I represent, in the largely rural areas for which I have the honour to be the Member of Parliament, should feel so cynical about the Budget that was introduced by the Chancellor last week. I think the answer is that, when they hear the Chancellor and the Secretary of State, they do not believe that the Government have a grasp of the integral elements that they will require to put through a genuinely environmental and green agenda.

In my constituency, we are—to use the word "threatened" is perhaps to prejudge and prejudice the issue, but I will say it anyway—threatened by many applications for gigantic commercial wind turbines. The response, as the Secretary of State would expect in the area of west Devon that I represent, is almost universal hostility. These are not unreasonable people; if they were convinced of the urgent necessity, in the interests of our country and of the world, for renewable energy to have an adverse and unwelcome impact not only on the quality of their lives as they see it but on their businesses, their bed and breakfasts, their restaurants, their tourism industry, their tranquillity—because I have the honour to represent one of the last areas of rural tranquillity in England—

Martin Horwood: Do the hon. and learned Gentleman's constituents not recognise that their tranquillity, well-being and economic success are threatened by climate change in the long term, which is a far more serious threat than a wind turbine, and that wind energy is an essential part of tackling that problem?

Mr. Cox: If the hon. Gentleman will simply listen, he will hear what I am about to say—and I should add that several Liberal Democrat MPs support the resistance to the wind turbine developments.

There is now a proliferation of applications for gigantic wind turbines in the rural area I represent, and they are being greeted with consternation and dismay by the inhabitants of the places to which they shall come. The thesis I offer to the Secretary of State is not about whether they are right or wrong; it is, rather, that if we are to convert people to a belief in the need for this type of renewable energy, we must harness their popular assent, but people will not believe in the need for such intrusive forms of technology unless they believe that the Government have a coherent underlying vision and unless the Government convince them of the urgent need for them. That has not been done in the run-up to the Budget.

If there is a coherent vision uniting all the relevant aspects of government, why has a feed-in tariff not been adopted before now to encourage microgeneration? I

[Mr. Cox]

am a member of the Environment, Food and Rural Affairs Committee. We looked into this last year, and we considered that it represented a powerful means of encouraging microgeneration, but why is it that only now do we have a commitment—even though it appears to be only lukewarm—to look into a feed-in tariff?

The respective benefits of a feed-in tariff and the current low-carbon buildings programme simply do not match up; I think that the Secretary of State agrees with that. Frankly, the low-carbon buildings programme has been a failure. It has produced solar voltaic panels in 270 houses. In Germany, 130,000 households took up such panels in the last year alone. That situation is reflected across all the diverse range of renewable energies. The low-carbon buildings programme is bureaucratic, it has too many conditions and it is not worth it. I recently had solar thermal panels installed in my home. I looked into the low-carbon buildings programme, but it was too much hassle, there was too much bureaucracy, and there was too little money because the grants simply are not high enough. Therefore, I agree with the Secretary of State that the way forward is a feed-in tariff. If it is set correctly, it is likely that there will be an explosion of interest in microgeneration. There are hundreds of thousands of such households in Germany. It is becoming standard in some German states for there to be some form of renewable energy in a household, but not in this country.

If my constituents see that there is a comprehensive and coherent Government policy that deals with all aspects of renewable energy and allows them not only to be taxed but to gain from renewable energy by a sensible feed-in policy, they will be much more likely to give their assent to intrusive technologies as part of an overall package of measures. However, they are likely to become cynical if they see only a Klondike-style gold rush of large-scale commercial wind companies coming to their villages and communities to erect 400-ft tall wind turbines and nothing else—no way they personally can become engaged in the battle to fight climate change, but simply the profits disappearing a long way from their communities. Similarly, when they see the Budget measures for green taxation, they are likely to become cynical because they do not sense that the Budget has introduced its environmental measures in the service of some coherent grasp of what is necessary. They sense only that it is another stealth tax-raising measure.

Martin Horwood: Will the hon. and learned Gentleman give way?

Mr. Cox: If the hon. Gentleman will forgive me, I shall not as I wish to make progress.

There is a problem of credibility and belief. Only if people see an underlying profound sense of purpose in Government policy will they give their assent to the unpleasant bits. Only if they also see that the policy is not all unpleasant bits—not all stick, but that there is carrot, too, as part of a subtle, comprehensive policy of the type I describe—will they give their assent, and their enthusiasm, to it.

I passionately believe that we need to harness the will and popular support of the people of this country. We cannot preach to them. We cannot simply expect them to accept having foisted on them unwelcome and intrusive technologies such as wind turbines that frequently damage the communities they are sited in—for instance, in terms of the effect on tourism and the perception at least of an effect on the quality of life of the communities. We cannot expect them to take those measures and to take the taxation as well.

I remind the Secretary of State that across my constituency, which as he knows is extremely rural, there are many hundreds of farming communities and farming people have little option but to use a strong 4x4 vehicle to perform many of the intensive tasks that are required to be done on often remote land. Yet those who go to buy a new Land Rover after the relevant change comes into force—tomorrow or next month or whenever it will be—will find that they have to pay an extra £950 or £1,000, and they will feel that they are simply on the receiving end of repeated blows from the Government. The only way they would accept that is if they felt that behind it there was a coherent vision and purpose, and a sense that the Government were sincere in what they were doing in these Budget measures.

However, people do not feel that. They might be wrong; it might very well be that the Secretary of State and the Chancellor are sincere in introducing these measures and really believe that they will have a benevolent effect on carbon emissions in this country. I accept that entirely, but we will not win the assent of the people of this country if we do not show them that we are bringing forward policies with a profound sense of purpose, such as that which the hon. Member for Nottingham, South so ably demonstrated in his speech.

That is why I ask this question: if there is a coherent vision, why over the past decade or so since this Government came to power has a feed-in tariff not been examined and brought forward? If there is a coherent vision driving the Government's policy on the environment, why only now in the Energy Bill is the banding of the renewables obligation certificate being introduced? A criticism that has been made for many years is that because renewable energy technologies are in different states of evolution, and particularly because onshore wind is in an advanced state of evolution—it is ready now—the renewable energy obligation favours the established technologies. I welcome the proposals to band the renewables obligation, but why is it being done 11 years after this Government came to power? Why was it not done much earlier?

If the country communities I represent had seen those kinds of measures brought forward some years ago, it might have been easier to win them over to the cause of renewable energy generally, and to get them to accept the intrusive and often unwelcome installation of gigantic wind turbines with which they are now threatened.

It is a serious criticism of this Budget and of the Government's entire environmental policy that it seems to be fragmented and piecemeal and not to be driven from the heart by a profound underlying purpose that is able to win over and convince the people of this country. If it is not done in that way, there is a danger that people will be alienated from the cause of

addressing climate change. The danger is that we will make them cynical and play into the hands of those who doubt even whether there is something that mankind can and must do. I firmly believe that there is something that mankind can and must do to resolve this important, nay, most pressing problem.

I have the great honour of having James Lovelock, with whom I have had many conversations on these subjects, as both a neighbour and a constituent. He is a convincing exponent, as the Secretary of State will know, of the important and urgent need for action. I endorse and support what the hon. Member for Nottingham, South said. If this issue is indeed as serious as the Government say they believe it is, it will require an adjustment of our national policy in many fields, and food security is most certainly one of them.

I should point out to the Secretary of State that the criticisms of the Budget are not intended as suggestions that there is not commitment to this cause on a personal level on the Government side. However, unless the Government can get their act together, bring the disparate elements of environmental policy together and go forward to convince people with the same passion and purpose as the hon. Member for Nottingham, South, this policy will fail to win the critical and crucial assent of the people of this country. Simply imposing taxation measures such as those in this Budget will do more than anything else to harm the cause of winning the battle of hearts and minds regarding climate change.

8.21 pm

Martin Horwood (Cheltenham) (LD): My main concern today is addressing environmental issues, but I shall begin by addressing another issue that is important to some of my constituents. Cheltenham is known to like a flutter or two, and Denman's breathtaking win in Friday's Gold cup certainly cost me a bit of pocket money, as I backed Kauto Star. If you will indulge me, Mr. Deputy Speaker, I will seize this opportunity to put on the record my congratulations to Edward Gillespie and everyone involved in the festival in Cheltenham for having put on such a wonderful show this week, despite extremely challenging circumstances at the beginning of it.

The bookies certainly looked pleased at the end of their week, despite having lost a day of racing due to the high winds—but at least they are taxed only once. Bingo clubs, like clubs at The Brewery, in my constituency, pay both VAT at 17.5 per cent. and gross profits tax of 15 per cent. They feel that this is not a level playing field. Not only was this issue not tackled in the Budget; the Chancellor took the opportunity to increase amusement machine licence duty above the rate of inflation, thereby adding to the pressure on an industry that is already suffering.

I am not arguing that bingo clubs are on a par with post offices in their value to the community, but they do seem to be closing at a similar rate. Having visited clubs in Cheltenham, I am satisfied that they perform an important social function, particularly for some of the less well-off communities and older members of society. I am also convinced that patrons generally bet only what they can afford. Therefore I hope that future Budgets will look more kindly on the bingo industry.

We were promised a green Budget. That would have been timely, as the United Nations environment programme has just reported that the rate of glacier shrinkage appears to have doubled in less than a decade—a grim addition to the already worrying body of scientific evidence about climate change. Yet actually, the Chancellor was three quarters of the way through his speech before he even mentioned the environment or climate change. We then had the traditional series of re-announcements. Amazingly, there was the re-announcement of the Climate Change Bill, which I thought we all knew about, and there was more about the Bali conference and more about low-carbon buildings by 2016. At one stage, the Chancellor even seemed to be taking credit for the European emissions trading scheme.

We had the usual complacent restatement of the Government's meeting their Kyoto targets. My hon. Friend the Member for Northavon (Steve Webb) has already pointed out quite how dangerously complacent that is, given that, according to the National Audit Office, simply using another accounting method that properly accounts for aviation and shipping shows that we have seen an increase in greenhouse gases under this Government. In fact, if we look at the figures since 2002, it does not matter which of the methodologies we use—the situation is getting worse. Of course, we all know that this great claim of the Government's to have met the Kyoto target is really only a result of the original dash for gas, which took us down below the Kyoto target many years ago.

Then we had the announcement of the possible plastic bag tax, which I and many others have been calling for for what feels like years, but even that was not definite. We had the launch of an

"ambitious household emissions reduction programme" [*Official Report*, 12 March 2008; Vol. 473, c. 296.],

which I guess was an attempt to resurrect the shambles of the low-carbon building programme. On that, if not on much else, I agree with the hon. and learned Member for Torridge and West Devon (Mr. Cox), who criticised the way in which that scheme worked in practice.

Then we had the non-announcement on vehicle excise duty, which will have no impact whatsoever until the financial year 2010-11. Among all this, strangely, there was no mention of the savage budget cuts to green projects such as the National Industrial Symbiosis Programme and the Waste and Resources Action Programme. Such cuts make it highly unlikely that business will be able to continue to improve its performance on waste reduction, in the way that it was able to do with the assistance of those two organisations.

Of course, the Budget cuts across Departments—we cannot put the environmental bits in one box marked "DEFRA/Treasury". Other Departments are critically involved in terms of their impact on the environment. When challenged earlier, the Secretary of State dodged a question on carbon capture and storage by saying that it is a matter for the Minister for Energy. Well, it is relevant to an economic debate. As the Treasury document that accompanies the Budget, entitled "The UK economy: analysis of long-term performance and strategic challenges" makes clear, climate change, energy policy and the future performance of the UK economy are inextricably linked. That document states:

[Martin Horwood]

"The Government will also seek to ensure that the UK makes the most of the potential economic benefits of the transition to a low carbon economy...It will...develop a low-carbon energy technology strategy to maximise the cost-effective potential for cutting emissions in the UK and internationally."

However, nowhere in that document does it actually say how.

During recent consideration in Committee of the Energy Bill, the Minister for Energy resisted a whole series of amendments that would have helped us move toward a low-carbon energy strategy. He even resisted enabling powers to introduce feed-in tariffs, which have already been mentioned today. He resisted amendments to lock carbon capture and storage into the development of a new generation of coal-fired power stations, led by Kingsnorth. He even resisted amendments that would have allowed him to broaden out the current competition launched by the Government for carbon capture and storage technology, which has been widely criticised as being too narrow and slow and has actually precipitated the truncation of an important carbon capture and storage project by BP at Peterhead. BP had already spent tens of millions of pounds of its own money on the project, which would have been on line ahead of the Government's competition project. All such amendments were rejected in Committee.

The same Budget document to which I referred also extols the virtues of the shadow price of carbon—a measure that will be used to reflect the future cost of climate change in deciding on projects that are outside the carbon trading system. It states:

"the Government will use the new Shadow Price of Carbon to ensure that the carbon impacts of policies—whether negative or positive—are taken into account systematically and consistently across Government".

There is no dodging this—it was developed by DEFRA. However, this is the same shadow price of carbon that the Environmental Audit Committee recently concluded reflected serious flaws in DEFRA thinking. Our recent report on the 2007 pre-Budget report and comprehensive spending review concluded that

"the Shadow Price of Carbon is set considerably lower than the level which Stern set for a 'business as usual' trajectory of emissions. In other words, by assuming that action will be taken to ensure that the effects of climate change will be relatively mild, the paper"—

DEFRA's policy paper—

"concludes that the costs of climate change are relatively low. In doing this, however, it is setting a relatively low carbon price...The risk is"—

I hope that Ministers are following this argument—

"that this will fail to discourage the approval of policies and projects that will lead to a growth in carbon emissions—and thus help to make it more difficult to achieve the stabilisation target that the paper assumes will be met."

Friends of the Earth put it even more succinctly, saying that the Government

"are using this lower figure, which has the effect of making carbon emissions go up, which means that they do not meet the targets that they are assuming are being met through the use of the shadow price...It is almost Orwellian".

I would quibble only with the word "almost". This is surely the most perfect example ever seen of a self-defeating policy. Sure enough, it made all the difference in the decision to give the go-ahead to the third runway at Heathrow. Astonishingly, the Chancellor mentioned that decision approvingly in the same breath as stating that

"aviation must meet its environmental costs".—[*Official Report*, 12 March 2008; Vol. 297, c. 473.]

In practice, DEFRA's optimism about the future ability of nations to tackle climate change and about meeting targets has been wrongly used to create a number that makes it more likely that we will miss those targets. You could not make it up.

Just before the Chancellor mentioned climate change for the first time in his long statement, he made another statement with serious environmental consequences. On house prices, he said:

"The best way to improve long-term affordability and stability is to build more houses".—[*Official Report*, 12 March 2008; Vol. 473, c. 295.]

Many hon. Members would agree, but the Select Committee on Communities and Local Government, the Campaign to Protect Rural England and others have repeatedly cast doubt on whether the Government's numbers really add up to housing affordability anyway. On purely environmental grounds, however, I should like to draw the attention of the House to the growth assumptions in the Budget:

"UK GDP growth is forecast to slow from 3 per cent in 2007 to 1¾ to 2¼ per cent in 2008, before picking up to 2¼ to 2¾ per cent in 2009 and 2½ to 3 per cent in 2010."

Only the last of those numbers is at the level of growth that housing models are using to justify imposing huge numbers of extra houses on areas such as Gloucestershire; 56,000 extra houses are now slated for that county alone. The housing model numbers for Gloucestershire assume a growth rate of 2.8 to 3.2 per cent. sustained consistently for 20 years.

The phrase "In your dreams" springs to mind, especially in the light of the developing global economic crisis. In fact, Northern Rock and the credit crunch have demonstrated the truth of what the Communities and Local Government Committee tried to tell the Treasury two years ago: many other factors in addition to the supply of land influence house prices, including the availability of credit, interest rates and so on. That is particularly true at national level, but there are myriad other factors locally. In my constituency of Cheltenham and the neighbouring borough of Tewkesbury, quite a large quantity of land has been released for housing over the past few decades, adding significantly to the total size of the town, yet we still experience relatively high house prices. That is the case because Cheltenham is still a wonderful place to live; it still has good schools and 98.5 per cent. employment, whereas other areas in the same travel-to-work area do not have such unaffordable housing. The housing market is very complex.

I would be less worried if the Government were sticking to their promise to prioritise brownfield sites in this new housing development, but instead we have the acceleration and promotion of so-called growth points, which have been identified—this is certainly the case in Gloucestershire—in green-belt areas around already relatively affluent towns such as Cheltenham, despite the fact that other areas need and want such development more. The Budget did nothing to prioritise brownfield sites over greenfield where the new housing is needed.

Bob Russell (Colchester) (LD): On the point about brownfield and greenfield land, does my hon. Friend agree that it would help if the taxation system were amended to establish a level playing field whereby VAT was levied on new dwellings and was brought down on conversions and modernisations? Does he also agree that the Government should be introducing policies whereby they look to bring back into use the thousands of empty houses?

Martin Horwood: My hon. Friend has got it exactly right. Clearly, the Government need to do more about empty homes, and he is right about using fiscal or other measures to prioritise brownfield sites over greenfield sites. The importance of the issue in the context of growth assumptions and the Budget's gloomy growth forecasts is that, if the growth points are established, they will become the only areas that are targeted by developers; if there is a general downturn, developers will end up going to those profitable greenfield sites first, under the growth point policy. We will see development on the green belt first, further damaging biodiversity and the natural environment, and yet again hindering the battle against climate change.

Hon. Members need have no fear, however: help in the battle against climate change is at hand. On Friday, *The Guardian* announced "Blair to lead campaign on climate change", stating:

> "Tony Blair is to lead a new international team to tackle the intractable problem of securing a global deal on climate change which would have the backing of China and America."

Presumably, the former Prime Minister is going to do that using the same successful technique that he has used to bring peace to the middle east and unity to Europe—in which case, I think we should be very afraid.

8.36 pm

Bill Wiggin (Leominster) (Con): It is a pleasure to follow the hon. Member for Cheltenham (Martin Horwood), who was right to say that the dash for gas was the reason why the Government have hit their Kyoto targets. Apart from the two Front-Bench speeches, my hon. and learned Friend the Member for Torridge and West Devon (Mr. Cox) and the hon. Member for Nottingham, South (Alan Simpson) both made excellent speeches, and it was a pleasure to listen to them.

One of the most important tests of whether a Government are acting in an environmentally friendly manner and taking climate change seriously is the way in which they are using their fiscal measures to encourage greener behaviour and developments. On that test, the Government have failed miserably. On transport, we heard in Question Time last week that the Prime Minister appeared keen to alter the carbon reduction target to 80 per cent. by 2050. A significant part of the problem that needs to be tackled is the emissions from transport. They account for about 29 per cent. of the United Kingdom's total carbon emissions.

When it comes to promoting greener forms of transportation, however, the Government are strangling development rather than promoting it. Much play has been made of the so-called showroom tax—a one-year only discourager that would, as it happens, target my constituents who need four-wheel-drive vehicles, as well as large-engined sports cars as are favoured by footballers and such—and the apparent first-year exemption for vehicle excise duty for cars emitting less than 130 g per kilometre, which is the EU standard. Just as the 2p income tax reduction was exposed last year as a tax con because of the removal of the 10p tax rate, those changes will hit families hard and result in a stealthy tax gain for the Government.

Pretending to be green and using the so-called green taxes to try to fill the massive Government debt black hole will ultimately be damaging to the economy and the environment. Moreover, when it comes to promoting existing greener fuels, the Government are penalising those who are doing the right thing and making the choices that promote sustainable transport use.

In fact, my complaint against Labour's Mayor and his new congestion charge is that it removes the incentive for alternative-fuel vehicles. That is a great loss, especially for families who need to be able to use cars but cannot bear to use traditional fuel because of its carbon pollution: they now have no choice at all. I am grateful to the Secretary of State for his offer, but sadly there are no family cars emitting less than 120 g per kilometre.

I recently had the privilege of test driving the Vectrix electric scooter, or motorbike. It does not require petrol. It just needs to be topped up with electricity from a socket, although few public electric recharging points are available nationwide. Despite the cleaner technology, the Budget contained no commitments that would encourage the growth of this sector, drive demand and help to make this type of product more affordable. The scooter currently costs just under £6,000, which is about three times more than a similarly performing petrol equivalent, and not much less than a Harley Davidson. We need to do more to encourage that type of technology.

I declare an interest as an owner of a vehicle powered by liquefied petroleum gas. The fuel duty on that greener, cleaner and more efficient fuel has spiralled in recent years, and the proposed increase in the Budget—to come into effect from October—will give little comfort to owners of LPG vehicles or the industry. In 2005, the duty on LPG stood at 9p per kilogramme. The 2006 Budget increased that by 3.21p, or 36 per cent., to 12.21p. Last year's Budget increased that by another 4.28p to 16.49p—a rise of 35 per cent. And this year's Budget points to a further increase of 4.28p, which is a rise of 26 per cent. That means that owners of LPG vehicles will, from October, have to pay 20.77p per kilogramme, which is 11.77p more than just three years ago, or an increase of 130 per cent. Similarly, the duty paid on compressed natural gas will soar by 52 per cent. as a result of this Budget, from 9p per kilogramme in 2005 to 13.7p.

Those duty increases are significantly higher in amount and proportion than the 2p increase on petrol, diesel, and bioethanol. There are more than 115,000 owners of LPG vehicles in the UK and the Government will penalise them by more than doubling the amount of fuel duty that they have to pay. That is not a particularly sustainable approach to take.

The Government's policy appears to be to increase taxes on an area of green growth, instead of encouraging and promoting its expansion. That would also appear to go against the spirit and recommendations of the King review of low carbon cars, which was published

[Bill Wiggin]

on the same day as the Budget. Professor King highlighted four key challenges for reducing carbon dioxide from road transport. These included reducing CO_2 through fuel efficiency and enabling an expansion of low carbon fuels. LPG and compressed natural gas fulfil those functions. The King review comments that there should be an:

"increased use of alternative fossil fuels such as LPG and CNG which can both offer small but significant life-cycle CO_2 savings over petrol and diesel. Cars capable of using LPG or CNG currently represent less than 1 per cent of the total car stock but there is scope to expand their use."

The Chancellor in his speech on Wednesday said:

"Professor King found that simply by switching to the cleanest cars on offer, motorists could save 25 per cent. of their fuel costs"—[*Official Report*, 12 March 2008; Vol. 473, c. 297.]

but by trying to cash in on the growth in LPG and CNG use, that 25 per cent. saving may not be as great, and the Government run the risk of failing to promote the cleaner fuels that more people need to use to achieve significant reductions in the carbon footprint of transport. The Government have their hands around the necks of LPG and CNG users, and are getting ready to throttle them. This was not a green Budget, but a green stealth tax Budget.

Turning to the issue of biofuel and its environmental potential, the Budget has again failed to address the inherent weaknesses in Government policy towards this fuel. In spite of widespread criticism, the Government are pursuing the renewable transport fuel obligation to increase biofuel use, but, because the sustainability criteria have not been produced—if indeed they are developed at all—the relentless growth in biofuels may continue in an irresponsible way. We have seen the push for biofuels, particularly in the USA, leading to significant increases in food prices. In the last year alone, the price of corn has risen by 31 per cent., of soya by 87 per cent. and of wheat by 130 per cent. That has a knock-on effect right the way down the food chain. The consumer is hit with higher prices, and the rise in prices is also forcing domestic farmers into financial difficulties. Pig farmers are being especially squeezed, with the cost of feed doubling in the last year alone. If the industry does collapse, cheaper imports of animals reared—this is very important—to lower welfare standards will flood the domestic market adding to shoppers' carbon footprints.

The problems associated with the unsustainable growth of biofuel extend beyond food prices in the farming sector. The demand for palm oil for use in biofuels as well as in food and cosmetics is leading to the destruction of the rainforests of Borneo and Sumatra. As much as 10 million hectares of habitat could be lost, and that is having a devastating impact on orang-utan populations, which might be as low as 7,000 in Sumatra. They could face extinction within five years.

I must take this opportunity to pay tribute to the roundtable on sustainable palm oil, which is a fantastic initiative designed to ensure that the palm oil that we buy is from sustainable sources that also live up to the standards on issues such as human rights and exploitation that we would expect from our major retailers.

However, despite my warm words, things need to move faster. I am warned that it might be only five years before we lose our sustainable population of orang-utans in the wild. It may take that much time to get sustainable palm oil on to our shop shelves. I fear that if palm oil comes into our fuel tanks without awareness among the general public, an explosion in the demand for that palm oil would quickly lead to the loss of those great apes. Sime Darby, a major palm oil producer that seeks to ensure that it can deliver sustainable palm oil, has invited me to visit Malaysia and Borneo to see what is being done to preserve the habitats of those great apes. I also congratulate those firms that have already changed their buying policies to include palm oil from sustainable sources.

We hear many pronouncements about globalisation and the Budget in terms of the financial markets and economic impacts, but the Budget also has an important role to play in contributing to the sustainability of world resources, rather than their over-exploitation. I note the review into the wider environmental and economic impacts that has been announced, but that piece of work should have commenced earlier. Moreover, it remains unclear whether sustainability standards and targets will be in place or when they will become applicable.

Back in October, during the debate in Committee on the Renewable Transport Fuel Obligations Order 2007, the Under-Secretary of State for Transport, the hon. Member for Poplar and Canning Town (Jim Fitzpatrick), stated that the date for sustainability targets was 2011 and that that was just an aspiration. The Budget has thus far failed to elucidate any further on that quasi-commitment. We need to be clear that biofuels can be a positive step forward in the fight against climate change if they are sourced in a responsible and sustainable manner.

It is not just in the area of fuel duty and biofuels where a more sensitive and targeted approach could have been beneficial to the environment and consumers. As chairman of the all-party cider group, and someone who represents a constituency in England's cider-producing heartland, I have followed with interest and sadness the rise in duty on cider. It is disappointing to see that the Government have decided to clobber all cider drinkers and producers when they could have taken a more targeted approach.

I am sure that all right hon. and hon. Members are familiar with the problems of binge drinking. We all see the disruption and antisocial behaviour that a minority of reckless and irresponsible drinkers cause in our town centres. However, instead of using the Budget to take action against the minority who cause the problems and raising duties on the higher strength alcoholic products, which are among the cheapest and most affordable, the Government are hitting everyone. The Opposition have put forward proposals on alcohol taxes that would take effective action against the irresponsible minority and make higher strength ciders and other similar alcoholic drinks more costly to buy, but would not impact on the majority of the country's 37 million responsible drinkers who consume medium and low-strength alcoholic beverages.

The Government might not have realised it, but their approach to alcohol taxation, which is to penalise all types of cider and mass-scale cider producers, such as

Bulmers and Westons in my constituency, has a negative impact on the environment. Cider is a domestic success story with more than 1 billion pints now sold each year. That success through rising demand has lead to widespread investment in sustainable environmental practices. Cider producers take great pride in ensuring that their chemical, water and energy uses are kept to a minimum.

In Herefordshire, Bulmers is a lead partner in delivering the county's biodiversity action plan. Two million cider apple trees have been planted in more than 5,000 acres of land in recent years. Green, environmental and sustainable practices are awarded through industry-led initiatives such as the golden apple awards. Instead of using the Budget to support medium and lower-strength ciders, and recognising the benefit that cider producers bring to our environment, the Government are treating a British success story like a piggy-bank that they intend to raid.

Mr. Nigel Evans (Ribble Valley) (Con): My hon. Friend is defending the cider industry, a great British industry that is based in his constituency, but will he defend another great British industry, the British pub, which sells that product? As a result of the blunderbuss approach that has been taken to taxation, all alcohol has been hit, as my hon. Friend says. Pubs are closing at a rate of four a day, and the changes announced in the Budget will be the death knell for yet more of them.

Bill Wiggin: I absolutely agree, and I know that my hon. Friend has worked extremely hard with the pub trade to ensure that people in the House understand the problems that publicans and brewers face. It is fair to say that almost everything that I have said about cider applies to beer. A huge amount of hops are grown in my constituency and contribute to the beer industry. What he says about the lack of targeting absolutely chimes with the message of my speech. The Government had a unique opportunity to tackle the antisocial behaviour agenda, which I know they care about, but they missed a trick, which is a great shame.

At a time when fuel and food imports are rising and the cost of living is increasing, when British taxpayers and families are facing record burdens of taxation, and when the Chancellor of the Exchequer is more concerned with protecting the Prime Minister's disastrous handling of the nation's finances than improving the national economic outlook, we, as a country and as individuals, may not be best placed to put this country in the leading position that it needs to be in to tackle climate change and promote the environment.

8.51 pm

Justine Greening (Putney) (Con): It is a pleasure to wind up the debate on behalf of the Opposition, particularly on a topic as important as this year's Budget and the environment. This has certainly been an interesting debate about a Budget that probably shows the Government at their worst—ham-fisted, misguided and deeply cynical—and that damages the electorate's trust in them.

We have heard many interesting contributions, and I shall come to them shortly, but first it is worth reflecting on what we heard about the Budget from the Secretary of State. The reality is that whatever his warm words, and however good his intentions, the Government have put forward a Budget that was more about eco-spin and raising revenues than doing anything meaningful to protect the environment. The Secretary of State may think that I am being uncharitable, but my concerns are mirrored by many outside the House.

In fact, it seems that virtually nobody was happy with this year's Budget. Both the business community and environmental lobby groups saw it as deeply inadequate. Chris Sanger of the accounting company Ernst & Young described it as

"a hotchpotch of measures which is indicative of a Budget without a key theme."

Tony Juniper of Friends of the Earth said:

"The chancellor promised to put sustainability at the heart of today's announcement, but he has merely tinkered in the margins."

John Sauven of Greenpeace talked about the Chancellor

"dropping the ball on climate change"

and went on to say:

"his measures have failed to match the scale of the challenge we face."

The Institute of Chartered Accountants said that the Budget

"does nothing to address the failing competitiveness of the UK nor to restore confidence overseas in the UK as a place to invest and do business."

Those are damning assessments—and unfortunately for the British public, they are right.

Make no mistake: the two major planks of the Government's Budget—hiking up taxes on motorists and raising alcohol duties—are nothing more than stealth taxes. This year's Budget is what I would call eco-spin of the most cynical kind. Environmental taxes generated £35 billion for the Government in 2006. That might sound like a lot of money, but despite all that tax, the Office for National Statistics tells us that environmental tax receipts as a percentage of gross domestic product have actually fallen from 3.6 per cent. in 1999 to just 2.7 per cent. in 2006. Moreover, environmental taxes as a percentage of total taxes and social contributions have decreased from 9.7 per cent. in 1999 to just 7.3 per cent. in 2006. We are going in the wrong direction. That is because green tax rises have been dwarfed by the Government's wider stealth-tax agenda over the past 10 years.

Steve Webb: I very much share the hon. Lady's analysis that green taxes should form a substantially higher share of total taxes. She suggests a big increase in that share. Can she identify some of the green taxes that she would like to increase so that other taxes could be cut?

Justine Greening: We have talked about a whole range of green taxes that we would like to see. We set out the increase in the banding on vehicle excise duty and we talked about the feed-in tariff; we raised the issue of the carbon levy and changing from the climate change levy. We have set out a whole range of policies. Moreover, we have talked about how we would handle them. Unlike the Government, we see green taxes not as stealth taxes but as replacement taxes. When we increase green taxes in one area, we will reduce other

[Justine Greening]

taxes in another. The fact that the Government have not handled the issue in that way is one of the main reasons why people have so little trust in Labour's green tax agenda.

Putting aside for a moment the issue of green tax revenues, we have to ask whether the agenda has had a positive impact. Many of the figures suggest that it has not. Since 1997, UK carbon dioxide emissions have risen. If we are to meet the UK's 2010 target, we will have to reduce CO_2 emissions by about 87 million tonnes. Such figures show the utter failure of the Government's green agenda.

Many speakers tonight have talked about the Government's lack of vision, and I totally agree. *[Interruption.]* Government Ministers sat on the Front Bench are shaking their heads—saying, I presume, that the taxes that I have mentioned are not stealth taxes. I hope that when she gets to her feet, the Exchequer Secretary can talk about the changes in behaviour that she is expecting as a result of the vehicle excise duty tax changes, for example. Is she prepared to publish the Treasury's assessment of how many cars there will be in each of the vehicle excise duty bands over the next three years—the assessment that led to the Government's calculation in the Red Book on the vehicle excise duty tax take?

Will the Exchequer Secretary publish the Treasury's assessment of the number of new cars that will sell in the bands that have the first-year charge? For example, how many does she expect to be in the top band, M? If the Government will not publish those figures, we will be left with the conclusion that the figures are not there and that the calculations were about increasing tax more than anything else. I give the Exchequer Secretary's officials, who have been sitting there diligently, the chance to prepare those details; I hope that I shall be pleasantly surprised in a few minutes.

I come to the contributions made in this debate, which was wide-ranging. I particularly enjoyed the speech made by the hon. Member for Nottingham, South (Alan Simpson), who had lots of interesting ideas and showed some sort of vision of how he would like the green tax agenda to be carried forward. He raised not only the issue of climate change, but the peak oil challenge, the current stock market and the credit crunch. He underlined the need for successful action in the coming years.

The hon. Member for Northavon (Steve Webb) talked about the lack of joined-up government, about which a number of us have been extremely worried. However committed the Ministers at the Department for Environment, Food and Rural Affairs are, what they are trying to achieve is being fundamentally undermined by their colleagues in other Departments—especially the Treasury and the Department for Transport, which seems to be producing many plans that will have a serious CO_2 emissions impact. It is failing to set out the ultimate climate change impact of its plans when it presents them to the public.

I move on to the contribution made by the hon. Member for Leyton and Wanstead (Harry Cohen); I have happy memories of serving with him on the Work and Pensions Committee. His was a robust and—I will not dress it up—characteristically anti-capitalist speech. He wants us to clamp down on capitalism, non-doms and all sorts of things. I do not agree. His arguments are slightly yesteryear for me, although I appreciate that they are still important to him.

We then moved on to an absolutely fantastic contribution by my right hon. Friend the Member for Wokingham (Mr. Redwood), who pulled together the strands of the various challenges that we face, not only with the climate change agenda but particularly acutely with the problems in the world stock markets. I thoroughly agreed with him when he described the Chancellor as complacent. The issues that we face in the world financial markets are certainly not ones to be complacent about. He contrasted very well the US Government's speed and effectiveness in handling the issues of Bear Stearns in recent days with our own Government's handling of the terrible problems at Northern Rock, which still continue to play out.

The right hon. Member for Leicester, East (Keith Vaz) spoke about alcohol taxation. I look forward to his Select Committee's report on binge drinking. What is needed is an informed debate, and when that takes place we will see that imposing swingeing tax rises across the whole alcohol budget is probably not the right way to go about tackling binge drinking and that we should have targeted measures instead.

My hon. Friend the Member for North-West Norfolk (Mr. Bellingham) gave us a completely different slant on today's debate when he talked passionately about the issues faced in the rural area that he represents. He covered the problems of small businesses, for whom there certainly was not much in the Budget. He discussed the closure of post offices, which are themselves small businesses, and the plight that they are facing. He spoke about pubs—another form of small business that was just mentioned by my hon. Friend the Member for Ribble Valley (Mr. Evans). He clearly set out the challenges that many of our pensioners face—not only in meeting rising fuel bills but, given their inability to switch to lower-emitting vehicles overnight, as a result of the Government's measures on vehicle excise duty.

The hon. Member for Luton, North (Kelvin Hopkins) made an interesting speech about the issues that he picked up on some time ago when he worked with the union, NALGO. He said that he would have liked to see a relaxing of fiscal policy at this point in the economic cycle. It is concerning that we are not in a position to do that because of the way in which the Government squandered so much of the economic growth that we have had over the past 15 years. I hope that that does not mean that we are constrained in how we handle the difficult times that may be ahead.

The right hon. Member for Ross, Skye and Lochaber (Mr. Kennedy), who is not in his seat—I am not sure where he will be at this point in the evening—mentioned a lovely-sounding place called Applecross and the problems with petrol prices and the 2p increase in fuel duty. He also talked about post office closures.

My hon. and learned Friend the Member for Torridge and West Devon (Mr. Cox) made a powerful contribution in which he spoke about the lack of vision to which many Members are still referring and the fact that there is no overall coherent logic to what the Government propose in their Budget. He recognised

the need to pull together climate change and a whole range of other areas—not only green taxation but renewable energy and even food security.

The hon. Member for Cheltenham (Martin Horwood) initially talked about matters that had nothing to do with climate change, including bingo and double taxation, but went on to discuss his concerns about the low-carbon energy strategy and the shadow price of carbon. There are some serious debates to be had about the shadow price of carbon, which is a vital piece of any calculation for understanding the impact of carbon emissions on the environment and, specifically, alternative policy options. If that carbon price is not set correctly, not just today but as it changes over the longer term, we will get bad decision making by Government.

My hon. Friend the Member for Leominster (Bill Wiggin) made an impassioned speech in favour of low-carbon transport, which I thoroughly agree with. He mentioned the electric bikes that he has ridden. One of that company's competitors turned up in my surgery a couple of Saturdays ago. All the companies involved are keen for that market to expand and be opened up so that people are able to do the right thing and start to use bikes and motorbikes that emit less than the ones that they have to use today. Finally, he talked about something close to his heart: cider. It is important to him and many hon. Members, and he was quite right to say that the Government's approach to alcohol taxation was a blunderbuss approach.

Moving away from Members' contributions to return to the Budget itself, there is no doubt that transport played a large part in it. Emissions from transport have risen by just under 6 million tonnes of carbon between 1997 and 2005, and 21 per cent. of the UK's total CO_2 emissions now come from transport. We all know that there are those who are wedded to their cars, and however hard we try, we just cannot get them to take any other form of transport, even for the shortest journey.

I understand from the paper that the Secretary of State for Children, Schools and Families recently chose to have his chauffeur drive him 450 yd to a Labour fundraising event and back again. Perhaps the key to success in good environmental tax policy might be for the Exchequer Secretary to have a chat with her friend the Secretary of State and see what policies could be introduced to get him out of his car. It is lucky for us that most other people in this country do not follow his example—who knows what CO_2 emissions would be if they did?

There is no doubt that this Budget hits car owners in particular, and although the vehicle excise duty was meant to be a green tax to support those who had done the right thing, it does not do so. Perhaps more than 80 per cent. of car owners will pay more as a result of the changes to taxes on motorists. Many will be penalised for doing nothing more than owning a car in which to drive their family around. Those are the same families who face rising mortgages, energy bills and food bills. At the very time that they are experiencing more pressures on their disposable income—what is left at the end of the month—the Chancellor comes along, kicks them when they are down and says, "Thanks very much. I'll have even more tax off you from your disposable income to pay for your car." Although the cost of living is going up, Labour is making it worse for those families. Families with a Ford Galaxy or Volvo V50, or those in an entirely different situation, such as black cab drivers, will face a £100-a-year increase in vehicle excise duty.

As was said, although there are tax cuts for cleaner cars, they total £15 million. That pales into insignificance when compared with the tax rise for polluting cars, which the Red Book shows comes to a massive £750 million. Again, I ask the Exchequer Secretary if she could provide more details of the behaviour that the tax change is meant to drive. Otherwise, many of us in this House and the public outside will have no alternative other than to conclude that it is a stealth tax, designed to get the Government out of their public finance hole. It is not just we who are concerned. Edmund King, president of the Automobile Association, has warned that the new bands could be a green smokescreen. Sheila Rainger of the Royal Automobile Club stated that many ordinary families will end up paying hundreds of pounds more.

Mr. Evans: Does my hon. Friend accept that cars and 4x4s in rural areas are not a luxury, but working farming vehicles? They are a necessity where rural transport is rather inadequate.

Justine Greening: My hon. Friend raises a good point. Not everyone is able to change to a lower-carbon car. Even if they pick a car that is best in class, it may still be found higher up the band, because it is a particular sort of model.

I was about to move on to plastic bags. We saw yet another build-up—it was in the papers that we were going to have a plastic bag tax. What happens when we get to Budget day? We "may" have a plastic bag policy or tax. The irony is that it is very much, "Do as I say, not as I do" from the Government. It turns out that last year, the Government bought 1.2 million plastic bags to help raise the profile of various Whitehall bodies at a cost of about £90,000. I wonder whether any of them had the words, "Act on CO_2" printed on them. Perhaps we will never know.

I cannot end my speech without mentioning zero-carbon buildings. That initiative was much vaunted, and the way in which it would kick-start the market was trumpeted. The Government's aspiration—I assume I can call it that because they may no longer be able to describe it as a full pledge—is for all new domestic homes to be zero-carbon by 2016, which is only eight years away.

The Budget's move to extend the stamp duty relief on zero-carbon homes to zero-carbon flats comes only six months after the original regulations, which specifically excluded flats and maisonettes, passed through Parliament. When the Government introduced those regulations, Ministers told me that the relief would kick-start the market. My hon. Friend the Member for East Surrey (Mr. Ainsworth) told us that, at the end of 2007, six homes had qualified. I can update the figure, which has risen. I am sure that he will be pleased to hear that, at the end of February, nine homes had qualified. *[Interruption.]* Labour Members say that that is a 30 per cent. increase, but the bad news is that the rate is reducing. Before the final quarter of last year, the Government were getting two a month, but now the figure is just under two—I admit that February was a short month.

[Justine Greening]

I can only imagine the party in the Treasury when the tenth zero-carbon home qualifies for stamp duty relief. Doubtless, there will be a cake with 10 little candles and officials will run in and say, "Minister, Minister, Minister, at last we're into double figures, so only 99.9999999"—hon. Members get the picture—"per cent. of the new build market to go."

Page 105 of the Red Book deals with the reasons for the current position. It refers to the Government having a plan to finish defining a zero-carbon home by the end of the year. It is amazing that any homes managed to qualify, given that the definition has not been established. Perhaps we should congratulate the Government on getting as many as nine homes through when they have not managed to work out what constitutes a zero-carbon home. Nevertheless, we will see how they get on.

The Government are not content with new domestic build—the policy is being extended to Government buildings, public buildings and, by 2019, all non-domestic buildings. I am sure that the building industry will be keen to find out what zero-carbon means by the end of the year when the Government have finally managed to devise a definition.

Whereas the Government perceive green taxes as stealth taxes, the Conservative approach is more balanced. We perceive green taxes as replacement taxes. When there are tax rises in one sphere, we need to ensure that they are offset by tax reductions elsewhere. The Government do not understand that concept. For the Prime Minister and the Chancellor, green tax is not about changing behaviour; it is simply another way to raise money.

Friends of the Earth director, Tony Juniper, said:

"We urgently need real political leadership on this issue",

but it is clear that we have none. The threat to the environment exists now. We need firm action, decisive policies and innovative thinking to make a difference now. In the Budget, the Chancellor gave us nothing but half measures, token gestures and a total lack of vision and direction. Is that what he means by stability? He should have called it inaction. The Secretary of State for Environment, Food and Rural Affairs told us that the Budget demonstrates how seriously the Government take the environment. Quite. They do not take it seriously at all.

9.13 pm

The Exchequer Secretary to the Treasury (Angela Eagle): The debate has been interesting. Last week's Budget was delivered against the background of the most uncertain period in the global economy for some time. The problems in the world's credit markets, which first manifested themselves in the American sub-prime mortgage market, have continued to reverberate around the world, not least over the weekend. That is the sombre background to our debates.

As we contemplate the events in the credit markets, however, it is crucial that we keep a sense of perspective. Clearly, we must tackle the current position, but we must also prepare our economy for the medium and long-term challenges that we will also face. Far from failing to fix the roof while the sun was shining, as the right hon. Member for Witney (Mr. Cameron) has repeatedly claimed, we have attended to the necessary roof repairs. We have also renewed the rotten foundations that we found when we took over responsibility for the lease and have completely modernised the inside of the house. After the years of neglect and decline that went before, the Government have ensured that we can all inhabit a more secure and dependable family home. There is clear evidence of the progress that this Labour Government have been able to make in the 10 years during which we have been responsible for the lease of the building.

In 1997, Britain was the least stable economy in the G7. After 10 years of Labour stewardship, we are now the most stable economy. If we compare the record of our first 10 years of economic stewardship with the last 10 years of the Conservative Government, we begin to see why. Labour has achieved inflation rates that are on average half what they were when the Opposition were in government. Interest rates have been half what they were under the Tories, too, yet growth has been double what they managed to achieve. Employment rates are now at record highs, with the creation of 3 million extra jobs, and there are nearly 2 million extra homeowners. Household net income has increased by 25 per cent. since 1997 and net wealth has increased by 72 per cent.

Mr. Bellingham: What about the trade deficit, which I gather is the worst since records began? Am I right in saying that Britain has fallen in the World Economic Forum competitiveness rankings, from fourth in 1998 to 11th today?

Angela Eagle: We had the highest rate of growth in the G7 last year, at 3 per cent. The hon. Gentleman fails to talk about the figures that demonstrate the strength of our economy and he makes a partial case. The UK has been the fastest or the second fastest growing economy in the G7 for six of the past seven years and has achieved the fastest growth in income per head among all G7 countries in the past 10 years.

That record of success and stability means that, despite the global economic turbulence that we now face, the forecast evidence points to a slowdown, but not the end of growth in the UK economy. Our economy is strong, stable and resilient. In the testing conditions that we now face, that flexibility will stand us in good stead. Therefore, in last week's Budget, my right hon. Friend the Chancellor had to consider what action he needed to take in the short term to assist with the challenges that we face due to global conditions. He also had to look through the short-term turbulence and uncertainty to prepare our country for the challenges that undoubtedly lie ahead. It is that longer-term challenge to which I want to turn.

Justine Greening: At Treasury questions the week before last, I asked whether the sustainable investment rule would be breached or whether the Government could guarantee that it would not be. Can the Exchequer Secretary give the House a guarantee that the sustainable investment rule will not be breached over the next three years?

Angela Eagle: The Budget forecasts deal with that issue. I refer the hon. Lady to the appropriate pages of the Red Book. The point of the sustainable investment

rule is to decouple much-needed investment in infrastructure from the ups and downs of the economic cycle.

Mr. Cox: Will the Exchequer Secretary give way on that point?

Angela Eagle: No, let me finish.

When we came into government, we inherited a wrecked public infrastructure, in which there had at points been lows of 0.6 per cent. of GDP of investment. We have since had 10 years of stable public investment and have got that figure up to 2 per cent. That is why, when I walk past schools and hospitals in my constituency, they are no longer falling down; they are in new buildings of which we can all be proud. It is because of the sustainable investment rule, which was created to ensure that we can invest in our public infrastructure as we need to, that we have enjoyed the success that I am talking about.

Bob Russell: Has the Minister noticed, while on her walkabouts, that the gap between the rich and the poor has widened under 10 years of new Labour, that child poverty has increased, and that social housing is the worst it has been in about 20 years?

Angela Eagle: I notice with great pride that this Government have ended the connection between age and poverty for the first time ever. There is now no longer a correlation between a person's age and the likelihood of their living in poverty. We have taken 2 million pensioners out of poverty, and 600,000 children out of relative poverty. This Budget will take us further forward.

In the Budget, my right hon. Friend the Chancellor had to consider what action to take in the short term to assist with the challenges that we are facing due to global conditions. He also needed to look ahead. Perhaps the most serious and demanding issue facing us is the question of how to tackle catastrophic climate change. We are in the forefront of the efforts to meet what Lord Stern has referred to as the "greatest market failure" the world has ever seen. Internationally, we are leading action aiming for a post-Kyoto agreement next year in Copenhagen.

Domestically, too, we are creating a robust new framework to meet the challenge. The Climate Change Bill will make us the first country in the world to legislate for carbon budgets, and my right hon. Friend the Chancellor announced last week that the first carbon budgets would be delivered alongside next year's Budget. The Energy Bill and the Planning Bill will enable us to begin the work of decarbonising our own economy and ensuring that we are able to meet the extremely challenging targets for renewable energy generation that we have been set by the European Union.

We also have to price carbon and create scarcity by capping emissions so that we can trade them. This will allow market mechanisms to help us to drive the innovation and technical development that we need to continue economic development for all the people in the world, without destroying the eco-systems on which all life on earth depends. The European Union emissions trading system is the most advanced in the world, and London is at the centre of the rapidly expanding carbon market. The Budget maintains our engagement and ensures that, via the clean development mechanism, developing countries can rely on the cleanest technology while harmful emissions are minimised.

At home, fuel duty will increase, albeit later than originally planned, in recognition of the short-term economic conditions in the oil market. The restructuring of vehicle excise duty will incentivise motorists to buy more fuel-efficient cars and manufacturers to drive engine technology in even cleaner directions.

Mr. Redwood: I do not know whether the Minister is going to respond to the debate, but it would be useful to have an answer to the points that I made about the need to strengthen the Bank of England's monetary authority in order to avoid future problems.

Angelal Eagle: The hon. Gentleman—[HON. MEMBERS: "Right honourable."] The right hon. Gentleman—my apologies—made an interesting speech commenting on some of the differences between the way in which the American authorities are dealing with the issue of Bear Stearns and the way in which Northern Rock was dealt with here. He will be aware, as will all hon. Members, that a consultation document on the future structure of the tripartite arrangement was issued on 30 January, and I hope that he will respond to it. He will also know that my right hon. Friend the Chancellor has been dealing with his counterparts in the EU and the G7 to determine what lessons need to be learned from the new threats and issues that global financial markets face as a result of the huge increase in globally mobile capital, to which the right hon. Gentleman referred in his speech. There are lessons for everybody to learn, but we know that the problems in the global markets cannot be solved in the UK alone. They have to be solved by international co-operation and agreement.

As I said, fuel duty will increase, but the restructuring of vehicle excise duty will incentivise motorists to buy more fuel-efficient cars and manufacturers to drive engine technology in even cleaner directions. Increases in aviation duty will further price in the environmental cost of flying, as well as contributing to the funding of our public services.

What is the Conservative party saying on the environment? Conservative Members always assert that people should vote blue to go green. In his contribution to the Budget debate last Thursday, the shadow Chancellor berated the Government for changing vehicle excise duty rates at all to incorporate environmental signals, arguing that motorists were being unfairly hit—and we have heard a lot more of that kind of attitude tonight. The shadow Chancellor also argued that all green tax revenues should be used to cut taxes elsewhere. Again, we have heard plenty more comments about that in tonight's debate. Yet this weekend, the hon. Member for Runnymede and Weybridge (Mr. Hammond), the shadow Chief Secretary, was pronouncing that there should be no new tax cuts during the first term of any future Tory Government. That must mean that there will be no green taxes either, so what does that say about voting blue to go green?

What about aviation? As we recognise its contribution to the UK economy, the Government support the expansion of Heathrow, subject to the outcome of the current

[Angela Eagle]

consultation, but what about the Conservative party? In his policy commission report on economic competitiveness, the right hon. Member for Wokingham (Mr. Redwood) pronounced that the Tory party was in favour of airport expansion. At the very same time, however, in his policy commission report on the environment, the right hon. Member for Suffolk, Coastal (Mr. Gummer) pronounced the Tory party against future airport expansion. Which is it? To clarify that embarrassing policy model, the hon. Member for Surrey Heath (Michael Gove) declared himself in favour of airport expansion on Channel 4 news, while his Front-Bench colleague, the hon. Member for East Surrey (Mr. Ainsworth) pronounced himself against it in a letter to *The Times*.

Justine Greening *rose—*

Angela Eagle: A pattern seems to be emerging from these facts. The Conservative party hopes that nice new eco-friendly logos and well publicised husky rides will be enough to give the impression that it has coherent policies on the environment. I have listened to hours of debate tonight and I have not heard a single policy idea from the Conservatives.

Mr. Peter Ainsworth: Will the Minister give way?

Angela Eagle: If I am going to get a policy idea, I will give way.

Mr. Ainsworth: Let me make a further attempt to get the answer to a very simple question. How much carbon will be reduced as a result of the measures introduced by last week's Budget?

Angela Eagle: I am disappointed, as I thought we were going to hear the Conservative Front-Bench position on airport expansion, but there we are. It serves me right for thinking that there might be an answer to that question.

Justine Greening *rose—*

Angela Eagle: Perhaps we are still going to get an answer!

Justine Greening: I assume that the Minister is aware that her colleague, the Minister for Lifelong Learning, Further and Higher Education, the hon. Member for Harlow (Bill Rammell), has come out against Stansted expansion, but may I ask her to clarify what she believes the calculation of CO_2 emissions from airport expansions should be? Should it include all flights generated by the extra capacity, for example?

Angela Eagle: We still have no answer, to whether Conservative Front Benchers are in favour or against airport expansion at Heathrow. Individual MPs may have particular views, but we are talking about Conservative Front Benchers here. Their environment people go off and tell everyone how they are against airport expansion, while their economic people go off and say that they are in favour of it. They hope that no one will notice the inconsistency. They tell people what they think they want to hear in order to be popular, in the hope that those people will not actually talk to each other, compare notes and realise that Conservative Front-Bench policy is a complete mess.

The hon. Member for East Surrey mentioned green ISAs in passing during a speech that seemed to declare a policy-free zone for most of the time. How much is that policy going to cost? How much will it cost in higher rate tax relief to have extra green ISAs? How much will it cost in total tax relief? Once again, Mr. Deputy Speaker, answer was there none.

The hon. Member for East Surrey talked about the purchasing of what he called "foreign indulgences", by which he meant that the UK should somehow not be allowed to purchase emissions from abroad to meet any post-Kyoto targets. Is he against carbon trading? Does he believe that, somehow, 1 tonne of carbon abated over London is worth more than 1 tonne of carbon abated over India? As we are moving towards a lower-carbon economy and battling the threat of climate change, does he feel that that is best done by not allowing any trading between the advanced economies and the economies of the developing world? If people believe that, we will never succeed in the battle that we must have against the threat of catastrophic climate change.

Labour Members believe that social justice and economic success go arm in arm. The Budget allows us to continue to invest in our public services. Investment here has trebled as a share of national income since 1997. We have replaced the shabby and dilapidated infrastructure that we inherited from the Conservative party with one that we can all be proud of in the public service. We continue to invest in our education system and the training of our work force so that we can compete effectively in the developing global economy and ensure that no child is left behind and every adult can make the most of their talent.

Even in these difficult times, my right hon. Friend the Chancellor has been able to find money to make further advances in the battle to eradicate child poverty. The Budget will help to lift a further 250,000 children out of poverty and the spending review will continue the funding of Sure Start children's centres, which are transforming the life chances of a generation of less-advantaged kids. What a contrast with the Conservative party, which is still intent on slamming shut the door of opportunity by destroying Sure Start.

My right hon. Friend was also able to consolidate the gains that pensioners have made under Labour. For the first time in our history, the Government have broken the link between poverty and old age, getting 2 million pensioners out of poverty, and 9 million households will benefit from the additional payment of £50 for the over-60s and £100 for the over-80s this winter. From April, all bus travel will be free for pensioners.

This Budget will steer us through uncertain times and equip our country for the challenges ahead. I commend it to the House.

Debate adjourned.—*[Mr. David.]*

Debate to be resumed tomorrow.

COMMITTEES

JUSTICE

Ordered,

That Rosie Cooper be discharged from the Justice Committee and Mrs Linda Riordan be added. —*[Tony Cunningham, on behalf of the Committee of Selection.]*

PETITIONS

Post Office Closures (Cumbria)

9.32 pm

Tim Farron (Westmorland and Lonsdale) (LD): I present to the House a petition on post office closures in Cumbria.

The petitioners declare:

The Petition of those concerned about Post Office closures in Cumbria,

Declares that they give their full support to Flookburgh, Hallgarth, Heathwaite, Grasmere, Endmoor, Burneside, Beetham, Dent, Backbarrow, Burton-in-Kendal, Rinkfield, Lindale, Levens, Kents Bank, Storth, Hawkshead and Hutton Roof, as these are an integral part of the local community and to lose them would be a loss to all of them.

The Petitioners therefore request that the House of Commons urges the Secretary of State for Business Enterprise and Regulatory Reform, to instruct the Post Office Ltd as it conducts its review of Post Office branches, to keep these Post Offices open; and further urges the Government to stop the unnecessary Post Office closure programme, and instead free business from restrictive regulation, invest in the future of the network and stop removing government business to safeguard our Post Offices.

And the Petitioners remain, etc.

[P000141]

Wirral Hospital NHS Trust

9.33 pm

Ben Chapman (Wirral, South) (Lab): I present this petition on behalf of 1,541 signatories, who are seriously concerned about dermatology care provision in Wirral, South with regard to it being delivered by GPs rather than a dermatology department, and, for example, the detrimental effect on research and development.

The prayer of the petitioners is as follows:

The Petition of patients, families and friends of the Department of Dermatology in Wirral Hospital NHS Trust,

Declares that the petitioners have most serious concerns about the proposed changes to the care of people with dermatological disease regarding managing their conditions in the community. The Petitioners believe that such changes to services without due consideration and discussion of the effects will be detrimental to the health and wellbeing of the patients involved.

The Petitioners further declare that moving the majority of skin care management to the community has the consequence of reducing funding to hospital-based services. This potentially risks the loss of specialist treatments (both in- and out-patient based), diagnostic skills, opportunities for multidisciplinary clinics and valuable training for nurses and doctors.

The Petitioners therefore request that the House of Commons urges the Government to reconsider its decision and further urges the Secretary of State for Health to use his powers to reverse the continued scaling back of the aforementioned services at Wirral Hospital NHS Trust and to visit the Wirral Trust at his earliest opportunity in order to assess the views and opinions of the dermatology service users.

And the Petitioners remain, etc.

[P000151]

Winter Fuel Payments

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. David.]*

9.35 pm

John Robertson (Glasgow, North-West) (Lab): I am grateful for the opportunity to speak about the winter fuel allowance, especially at such an appropriate time, given that the Government set out their policy on it in last week's Budget. As we have extra time, I am happy for my hon. Friend the Member for North-West Leicestershire (David Taylor) to take part in the debate. The winter fuel allowance administration centre is in his constituency.

Context is all-important when discussing the payment. Account must be taken of factors such as energy prices, inflation and the history of the allowance, and some of the criticisms of last week's Budget show a lack of appreciation of that. As I am sure my hon. and learned Friend the Minister will emphasise, there would be no winter fuel allowance if it had not been introduced by the Labour Government in 1997. When it was introduced it was £20, but from next winter the basic rate will be £250 and the higher rate will be up to £400. In the light of that, some criticisms that I have read are reminiscent of the People's Front of Judea—or should I say the Judean People's Front?—wondering what the Romans, or in this case the Government, have ever done for us.

It is important to recognise the Government's efforts to tackle fuel poverty. I welcome the recent increases in the winter fuel allowance. The Opposition talk about a revenue-neutral Budget—incidentally, when that is coupled with deterrent taxation, it inevitably means cuts to services—and the shadow Chancellor will not commit to even a one-off increase in the winter fuel allowance, so I know that people in my constituency are far better off under this Labour Government.

The payment operates against the backdrop of the cost of energy. It is interesting to note that this year's increases have taken prices in real terms to the levels of the 1980s. There was no hint of assistance at that time from the incumbent Conservatives, which was no doubt one reason why 6.5 million households were in fuel poverty when Labour came to power in 1997. Furthermore, that situation had come about after a fall in energy prices that was more than three times the size of the reduction between 1997 and 2004. In the light of that, the Opposition's claim that progress on eliminating fuel poverty has been down to even cheaper prices beggars belief. In Scotland, the Scottish National party is failing vulnerable groups, such as disabled children, and, with its planning policy it is tying Scotland's future to the fluctuation of carbon prices, so my comments on the winter fuel allowance are made in recognition of the fact that the Government have done more than any other party on this front.

Stewart Hosie (Dundee, East) (SNP): Will the hon. Gentleman give way?

John Robertson: No, I will not. I am sorry.

Of course, we are in Parliament and in government not simply to be better than the alternative, but to improve people's lives, meet their aspirations and bring about our vision of a fairer society. One aspect of that is our target to end fuel poverty among vulnerable groups by 2010, and completely by 2016.

Before 1997, fuel poverty—which is defined as when a person pays more than 10 per cent. of their income on heating their home—had deliberately not been identified as something the Government should be worried about. In 2004, owing to a combination of declining retail prices and substantial Government assistance, 4.5 million homes had been lifted out of fuel poverty. However, with the winter fuel allowance remaining static and with steep increases in energy prices, the trend has unfortunately been reversed. By the end of last year, about 2 million households had fallen back into fuel poverty, taking the total to 4 million before the recent rises.

Since December last year, all but one of the six major energy providers have imposed double-digit increases averaging about 15 per cent. The starting gun was fired by npower with a 17 per cent. increase in the price of gas, the main source of heating in the United Kingdom. It was followed by EDF and British Gas, within three days of each other, and by Scottish Power and E.ON within a week of each other. I echo the concern of Energywatch, which has observed that while citing different rises in wholesale costs, with a £1,000 energy bill the major players come within £13 of each other. What a remarkable coincidence. Inquiries into the market by both Ofgem and the Business, Enterprise and Regulatory Reform Committee are welcome, and I look forward to the results.

It is important to note that while the energy companies have blamed increasing wholesale prices for the price rises, their own profits have rocketed. British Gas recently announced that its profits had risen by 500 per cent. That, in my view, reflects the fact that the motivation behind companies' actions is profit. They are a front for investment, and they are not in business with a moral mission. We need to ask why they have nevertheless been given a free rein with customers. I hope that the lesson from this is not lost on the Government, given the Chancellor's threat of legislation if energy providers fail to increase spending on social tariffs.

As for this year's price increases, the Department for Business, Enterprise and Regulatory Reform estimates that for every 1 per cent. rise, 40,000 people are pushed into fuel poverty. The recent price hikes will therefore have pushed at least half a million more homes into fuel poverty, which means that the figure was about 4.5 million before last week's Budget.

David Taylor (North-West Leicestershire) (Lab/Co-op): Does my hon. Friend agree that one of the prime reasons for the excessive price increases of recent months is that the market has moved on from the post-privatisation position, when the number of companies was in the teens? As a result of mergers and acquisitions, a mere handful now operate in an oligopolistic fashion, driving prices up to a higher level than the market would generate. Does my hon. Friend hope that our hon. and learned Friend the Minister will ask the Minister for Energy for an investigation of the apparent market failure?

John Robertson: My hon. Friend is right. During the Committee stage of the Energy Bill we took evidence from the various companies, and I posed a similar

question to them. They assured me that that could not possibly happen, and that the increases were due to external forces and nothing to do with profits. That was at the time they were telling us about the 500 per cent. increase in profits. I am sure that that will not have been lost on the Minister for Energy, because he was present during the evidence sessions, and I think that some of the things the Chancellor said last week might have something to do with it. It is important for us to keep tabs on those companies. They seem to be getting their money awfully easily nowadays, and they are certainly not contributing enough to look after those who need to be looked after the most.

I must ask you to excuse my bad throat, Mr. Deputy Speaker. I was at a football match yesterday, and I did a bit more shouting than usual.

I wrote to the Chancellor in February asking for double the increase that he eventually announced. I want to focus on the current amount of the payment, and also to take this opportunity to urge the Chancellor, and the Minister, to consolidate the additions and not to leave them as a one-off with an uncertain future.

The basic rate for 60 to 79-year-olds was raised by £50, from £200 to £250, while the payment for those over 80 was raised from £300 to £400. Those increases were the first since the introduction of the higher rate in 2003 and the first change in the £200 rate since 2001. As a proportion of the payment, they represent an additional 25 and 33 per cent. respectively. One immediate question I wish to ask the Minister is why there is that discrepancy, with the majority of claimants, at a ratio of 3:1, being paid at the lower rate.

Over the same period that saw increases of 25 and 33 per cent. in the allowance, based on figures from both the Department for Business, Enterprise and Regulatory Reform and British Gas, energy bills in real terms have gone up by 50 per cent. That would mean a significant shortfall of itself, but there is a far greater deficit. The retail prices index, against which energy bills are measured, shows inflation of around 18 per cent. since 2001, and 14 per cent. since 2003. That would mean real-terms increases of around 7 per cent. and 19 per cent. for the winter fuel allowance against 50 per cent. for energy bills. Perhaps the Minister could confirm that the calculations that I have done are correct.

David Taylor: My hon. Friend refers to the desirability of consolidation of the basic allowances, rather than a one-off payment. I think that most people would agree with that, but others might argue that it would be better still to incorporate the amounts into the basic pension entitlement, so that payment becomes part of that from here on in. Half the amount could be paid at the start of winter, on 1 December, and half the amount at the end of winter, the end of February. That approach would commend itself, and indeed higher amounts could be paid to recognise the fact that better-off pensioners would pay tax on the sums that they receive.

John Robertson: I thank my hon. Friend for that intervention. I will touch on that matter at the end of my speech. I do not necessarily come to the same conclusion, but I do come to a conclusion, and I hope that the Minister will comment on my suggestion.

By the measure that I have outlined, the Government have a long way to go simply to get back to the stage we were at four years ago when 2 million homes were in fuel poverty. Roughly 600,000 of those were pensioners and I believe that, on the figures I have outlined, a far greater number will be in fuel poverty next winter.

I have no doubt that the Minister will rightly want to point out that the winter fuel allowance is not the only tool the Government use to tackle fuel poverty. Warm Deal, for instance, or Warm Front for those living in England, has helped more than 1 million homes at a cost of £1.4 billion. As he will be aware, however, that is available to more numerous groups than the winter fuel payment, such as those on certain income-related benefits or disability living allowance. Therefore, it is not directly comparable to the allowance figures. I ask the Minister, if he does cite Warm Deal as helping in that regard, how many of those it has helped are pensioners.

In answer to a written question from the hon. Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) on the proportion of a pensioner's bills which the payment would cover, the Minister said in *Hansard* on 6 December 2007, at column 1512W, that pensioners' incomes had grown by 29 per cent. in real terms between 1996 and 2005. If we take the state pension from 2001 and 2003, the more significant dates in examining the recent Budget increase, they have increased by 21 and 25 per cent. respectively, so only 3 and 11 per cent. in real terms. That, once again, means that there is a large deficit in the rate at which pensioners' incomes have increased, even with the winter fuel payment, in comparison with the 50 per cent. rise in energy bills.

As with the Warm Deal scheme, I should point out that any comparison between the state pension and the allowance will be inexact because entitlements to them are not co-extensive. Moreover, with food prices—another staple for pensioners—having increased by 6 per cent. this year, energy bills are not the only burgeoning demand on their finances.

The trend in fuel poverty has been going in the wrong direction for the past few years and because the payment has remained static, for the next winter pensioners will be far worse off than seven years ago. If we are serious about eradicating fuel poverty, there is clearly a need for the winter fuel allowance to be directly linked to fuel prices by some mechanism. The tragedy of the situation is summed up by the fact that we collate a statistic entitled "the excess winter death figure", which stood at just under 24,000 for 2006. If the Government can afford to double the allowance for inheritance tax, I humbly submit that we can find the money to prevent pensioners from freezing in their own home.

The final issue I wish to discuss is entitlement to the allowance. All people over 60 are entitled to receive the payment and need specifically to claim to do so. The need to claim the allowance—rather than, for instance, it being an addition to the state pension or paid directly to energy companies—significantly reduces the chance of the targeted group receiving it. From my surgeries, I know that perceived entitlement to financial help does not go hand in hand with actual entitlement to it. In particular, many pensioners I meet do not want to claim for assistance, believing that they can get by without it and should make do with what they have, or feeling that it is charity. In this context, Help the Aged

[John Robertson]

estimates that about £4.5 billion in various benefits goes unclaimed by pensioners each year. All the calculations I have outlined are predicated on the assumption that there is full take-up of the allowance, so the situation is likely to be even worse than I fear.

Perhaps the rationale behind requiring a claim to be made is that that will deter those who are perfectly well off from applying for the payment simply to supplement their finances. If that is the case, will the Minister assure me that the relevant segment of the unclaimed £4.5 billion comes from the over-60s who are not in need of the allowance failing to claim it, rather than those in fuel poverty and in dire need of assistance towards their bills? Has any assessment of this been made?

This issue also highlights the fact that the winter fuel payment is indiscriminate, given that all those over 60, regardless of whether they are still in work and regardless of their resources or incomes, are entitled to receive the payment. It is bizarre that the payment is used as a blanket income supplement across the board for over-60s alone, when many vulnerable groups such as children and the disabled are equally susceptible to fuel poverty and receive no assistance at all from the allowance.

David Taylor: I am sure that my hon. Friend agrees that the scheme could be improved in numerous ways without great cost being incurred. One way would certainly be for those who reach the pension age of 60—or 80 for the higher level—during the winter period to be entitled to the amount, rather than having to have reached that age by the fixed date in September. In some of the correspondence I receive, that is identified as an anomaly. Does my hon. Friend get similar correspondence from pensioners?

John Robertson: I do, but at the end of the day we must ensure that the money goes as far as possible; I believe we have to look after all our pensioners, but that we also have to look after those with the greatest needs, and that is where I would like the money to go.

The point about identifying those whom we need to support also applies to social tariffs. In a briefing from British Gas, the company mentioned

"the huge wasted effort from searching for eligible customers"

for their scheme. The Government, however, collect such data for tax purposes and I suggest that a more targeted approach would save money and help those most in need, and, if operated in conjunction with energy providers, this identification could be carried out and they could be engaged with social tariffs. I see no reason why the cost of this should not be met out of their incredible earnings and obscene profits.

One further change that I urge the Minister to consider is the direct payment of the allowance to the provider as part of that, so as to remove the problem of unclaimed funds. While I recognise the need to be flexible and respond to how individuals want to receive the support, the issue of unclaimed benefits can undermine all of our efforts.

These proposals involve a recasting of the winter fuel allowance into something that lives up to its name. At the moment, there is no link to fuel prices, the allowance is limited to the over-60s and there is a blanket entitlement to receive it, so a more appropriate description would be the over-60s income supplement—a point alluded to by my hon. Friend the Member for North-West Leicestershire. Although there is no problem with having such a measure, if the purpose is to alleviate fuel poverty, a far more nuanced and targeted approach is surely called for.

At this point, I shall mention vulnerable groups such as the disabled and children, many of whom live in fuel poverty. I receive a great deal of correspondence about their plight, and I urge the Minister to expand the allowance as part of the overall drive to eradicate poverty.

I conclude by declaring a vested interest. My constituency has one of the highest percentages of pensioners in the country. It is one of the colder areas of the UK, and more than 15,000 of my constituents claim the winter fuel allowance. I hope that my hon. and learned Friend will take on board the points that I have made on their behalf. I reiterate that we can discuss increasing, extending and modifying the payment, and discuss fuel poverty's being an issue, only because of a Labour Government. I recognise the steps that we have taken, but with people set to die from cold-related illnesses next winter and energy companies pocketing billions of pounds in profits, this is clearly an issue on which we must do more.

9.56 pm

The Minister for Pensions Reform (Mr. Mike O'Brien): I congratulate my hon. Friend the Member for Glasgow, North-West (John Robertson) on initiating this debate. This is an enormously important issue for hundreds of thousands of pensioners throughout the country—in my constituency, as well as his.

The Government have done more for older people than any other. In the past 10 years, we have lifted more than 1 million pensioners out of relative poverty. Relative pensioner poverty has fallen by a third since 1997, and we have broken the adage that being old means being poor. These days, people are no more likely to be poor if they are old than if they belong to another social category. We have banished the memories of the previous Conservative Government, under whom the poorest scraped a living on—imagine this—under £69 a week. By way of contrast, this year the poorest third of pensioners will, on average, be £2,100 better off than if we had continued with the previous Conservative policies.

We have achieved this through targeted support to provide security in retirement. This amounts to £11.5 billion a year more than was spent on pensioners in 1997. We are right to be proud of our achievements, but there is more that we need to do. We want to ensure that pensioners claim all the benefits to which they are entitled. I wrote to Members of this House three weeks ago outlining some of the measures that we are taking to simplify application procedures, and informing them how they can get their older constituents to claim the various benefits available to them. A lot of pensioners are still not claiming sufficient benefits. The money is there, we are waiting to pay it and we need those applications to come in.

John Robertson: Does my hon. and learned Friend not accept that in the days when we had pension books, every pensioner knew that they had to have such a

book, and so we could get information to them? Nowadays, we do not have such a facility, but there has to be a way that we can contact every pensioner; otherwise, we will have the same problem with a lack of uptake.

Mr. O'Brien: We can actually get to every pensioner; the problem is getting those pensioners to whom we can get to recognise that if they are on a low income, they can apply for further benefits. In the past 18 months, we have written in some instances up to four times to people whom we think may be entitled to claim the pension credit, help with their council tax and perhaps housing benefit in respect of their social housing rent. Many of them are not responding. We know their addresses and can write to pensioners, but it is getting the response that is sometimes the problem. We are trying to encourage working with partner organisations and the Pension Service to get more pensioners to claim the benefits. Tackling broad poverty is crucial, but, as my hon. Friend says, we must go further.

It being Ten o'clock, the motion for the Adjournment of the House lapsed, without Question put.

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. David.]*

Mr. O'Brien: It is vital that pensioners can keep their heating on, secure in the knowledge that they can pay their fuel bills. The key to dealing with pensioner fuel poverty is therefore ensuring that pensioners have sufficient money to pay those bills. That was why we introduced the winter fuel payment in 1997—the first ever support targeted to help pensioners with their heating costs. It currently helps more than 8.5 million households, and nearly 12 million people. It has taken us away from the cold, dark days of the last Conservative Government, when freezing pensioners were offered minimal support to stay warm. Instead, Health Ministers went around telling pensioners to buy long johns and woolly nightcaps if they wanted to stay warm in winter.

We have moved on since then. Back in 1995, just £65 million was spent on cold weather payments for the vulnerable. Last winter we spent more than £2 billion on winter fuel payments. Today, the debate is not about whether we should give pensioners help with heating costs, but about how much more help we should give. In the past decade the winter fuel payment has risen tenfold, and stood at £200 for the over-60s and £300 for those over 80 last winter.

But we are not complacent. Last year we launched a cross-Government strategy to target the most vulnerable and to ensure that everyone can keep warm and keep well in winter. It brings together the priorities of my Department with those of the Department of Health, the Department for Business, Enterprise and Regulatory Reform, and other agencies to provide a one-stop shop for help and advice on keeping warm and obtaining benefits. Schemes such as Warm Front, which my hon. Friend mentioned, have helped more than 2 million low-income households to improve their energy efficiency, through better heating or insulation. In fact, every minute of the working day, a home receives a new heating system as a result of the scheme.

As the Chancellor announced last week, we expect energy companies to increase their support to the vulnerable. In particular, we want a fairer deal for the 5 million customers on prepayment meters. Energy companies currently spend about £50 million a year on social tariffs. We want to see that treble to at least £150 million a year in the period ahead. We want to work with the energy companies, but we will take any necessary steps—I say this very clearly—to ensure that that happens.

I welcome the announcement last week by my right hon. Friend the Chancellor that we will provide an additional payment of £50 for the over-60s and £100 for the over-80s, to sit alongside the winter fuel payment. That vital extra support underlines our commitment to tackling pensioner fuel poverty. It shows that the Government can react quickly to changing fuel prices, and it will ensure that the winter fuel payment continues to provide a significant contribution to winter fuel bills, providing an extra £575 million and benefiting nearly 12 million individuals. Pensioners can therefore heat their homes with more confidence next winter. It sits alongside measures announced last year that will take a further 600,000 pensioners out of paying income tax. I hope that those positive measures will be widely welcomed in the House. They provide significant extra support to our older citizens.

The generous payments that we have already put in place have, to some extent, been affected by increasing fuel prices. Back in 1997, we were getting the benefits of North sea oil and gas, and there were quite considerable beneficial changes in the world energy market. The result was that during the late '90s and the early part of this century, fuel prices were lower than earlier in the '90s. The benefits from the winter fuel payments were therefore considerable.

In the past two or three years, we have seen that some of the benefits from North sea oil have been eroded, because much of the energy it supplies has been used. It will be around for many years to come, but the easily accessible oil and gas reserves in the North sea have now been exploited. Some of the new areas will be more difficult, and therefore more expensive, to access.

We have also seen changes in the international fuel market, with extra demand coming from China, India and several other sources. The world price of energy has therefore risen, just at the point when we have to import more energy than ever before. I well remember that, when I was the Minister with responsibility for energy, I signed the agreement with Norway that would bring about a fifth of our gas from the Norwegian gas fields into Scotland through the Langeled pipeline. That is very beneficial, but we are now much more subject to world fuel prices than we were only seven or eight years ago. The result is that our fuel prices are rising, and that is having an impact on pensioners' budgets.

David Taylor: Does my hon. Friend and parliamentary neighbour agree with those observers who remark that it is easier for a smaller number—now five—of major energy companies to form an unofficial cartel to hold prices at higher levels than they should be, or to push them to levels that the market does not dictate? Would not that be worth investigating? Many observers think that it should be investigated.

Mr. O'Brien: Ofgem is there precisely to ensure that such a situation does not arise. The aim of setting up a regulator such as Ofgem is so that it can ensure that the

[Mr. Mike O'Brien]

market is operating properly and the interests of the consumer are paid due attention. My hon. Friend suggests that the consumer comes off worst, but Ofgem—an independent regulator proud of its independence—is aware that, especially at a time of fast-rising fuel prices, we need to ensure that energy companies are responding to the concerns of their customers and operating the best competitive market. We rely to some extent on Ofgem to carry out its regulatory and policing activities to ensure that the consumer is protected.

John Robertson: To back up the point made by my hon. Friend the Member for North-West Leicestershire, the difference in price between the dearest and cheapest energy suppliers is only 1.3 per cent. Is that likely to happen if we are in a competitive market?

Mr. O'Brien: That depends on whether they are competing at the lowest possible price. If they are, that might well happen. It does not necessarily mean that the market is not working effectively. It is possible that several companies are competing with each other and offering similar low price levels. However, if the prices were not low, but were agreed in some way, that would be improper and a matter that we would expect the regulators to address. Certainly, my hon. Friend the Minister for Energy has indicated that we are keeping a close eye on these issues, to ensure that the energy companies are operating fairly within the market. The extra payment promised by the Chancellor will mean that the winter fuel payment for those over 60, including the £50 top-up, will total £250 next winter. That is a 25 per cent. rise on last year. For those over 80, the winter fuel payment and the £100 additional payment will total £400, a rise of one third on last year.

Last year, the winter fuel payment covered more than half of the average winter fuel bill. Next year, with rises of £50 and £100, the winter fuel payment will continue to make a significant contribution to pensioners' winter fuel bills. It is difficult to give a precise figure because we do not know precisely what the winter fuel bills will be. These measures will, I hope, ensure that many more pensioners can keep their homes warm, safe in the knowledge that they can meet their fuel bills.

My hon. Friend the Member for Glasgow, North-West suggested that we should extend the winter fuel payment to other groups. We provide a range of benefits to meet different people's needs and we have a series of benefits in place that are designed to help people who are terminally ill, cannot work or are in need of further help from the state. Older people are particularly vulnerable to the effects of cold weather during winter months. That is why we created the winter fuel payments. They give pensioners the reassurance that they can afford to heat their homes.

Other groups also have issues, such as the disabled. However, 60 per cent. of those who receive disability living allowance or attendance allowance are over 60 and already receive winter fuel payments automatically. The extra heating needs of children with disabilities arise throughout the year, not just in the winter months. The disability living allowance is worth £109.50 and will increase to £113.75 from April this year, while the poorest are entitled to some extra help through the disability premium in income-related benefits.

My hon. Friend wanted to know whether it would be possible to reconsider the issue of having two bands, one for those over 60 and one for those over 80. He suggested that it might be possible to have a more targeted, nuanced payment system and drew attention to the fact that some people on relatively high incomes also receive the supplement. We could do various things to change all that. For example, we could take the view that those on higher incomes would be taxed on their winter fuel payment. We could take the view that people on higher incomes would not receive a winter fuel payment and that we would only perhaps allocate it to those who were on pension credit.

There are all sorts of things that the Government could do to change, alter and redirect the payments. We considered all that and took the view that there was an expectation among pensioners that we would make winter fuel payments to them as we did in the past and as the Government had committed to do in their election manifestos, and that we ought to continue to do that. If there needs to be a debate about changes to the system, let us have a debate by all means. At the moment, the Government's view is that we have made commitments on winter fuel payments and we want to keep to them.

The two age-related bands make the system easier for people to understand and help older people plan ahead secure in the knowledge of the contribution they will receive towards their winter fuel bill. The current age split takes account of the fact that older pensioners over 80 are more likely to live alone or in less energy efficient homes. They are more likely to have a lower income than recently retired people. People over 80 are less likely to have well-paying final salary pension schemes. Many of those who are retiring now will have good quality final salary pension schemes, although not all of them will. People over 80 tend to spend a higher proportion of their income on fuel. Our view has been that there is a strong argument for making payments to those over 80. Of course, those older pensioners are also likely to be most vulnerable to not sensing that they are getting cold and are the most likely to fall victim to hypothermia. There is an argument for ensuring that we keep things simple while recognising that the over-80s deserve an extra payment.

My hon. Friend has made a powerful argument, and I congratulate him on raising the issues, which do call for a wider debate. The Government are committed to tackling pensioner poverty, including fuel poverty. We have made considerable progress in the past decade, with pensioner poverty falling significantly. The winter fuel payment is an important part of our strategy; we know that our cold winters affect older people more than the rest of the population. The winter fuel payment provides a guaranteed payment to all older people. It is an important contribution towards household fuel bills.

The extra money announced by the Chancellor last week will ensure that the winter fuel payment continues to make a significant contribution to pensioners' winter fuel bills next year; it is a generous extra payment,

keeping pace with changes in the market. That will give older people the confidence to continue to keep their home warm, and hopefully it will keep many more of them alive. We hope that that will be the outcome of the changes that we have made.

It can always be argued that the Government could pay more and do more, but of course they have to ensure that they balance the various demands for public expenditure. However, pensioners were rightly a high priority in the Budget last week. As Minister with responsibility for pensions, I am pleased that the Chancellor listened to representations, not only from me but from people such as my hon. Friends the Members for North-West Leicestershire (David Taylor) and for Glasgow, North-West, on the need to consider, and respond to, the issue of rising winter fuel bills. The Chancellor did so by increasing the amounts that will be paid next winter. I am glad that that was done, and I hope that pensioners will feel the benefit of it.

Question put and agreed to.

Adjourned accordingly at sixteen minutes past Ten o'clock.

House of Commons

Tuesday 18 March 2008

The House met at half-past Two o'clock.

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

HEALTH

The Secretary of State was asked—

Breast and Cervical Screenings

1. **Andrew Rosindell** (Romford) (Con): What steps the Government is taking to encourage women to attend breast and cervical screenings regularly. [194621]

The Secretary of State for Health (Alan Johnson): Our cancer screening programmes are renowned as being among the best in the world, with some of the highest uptake levels. It is estimated that the breast and cervical screening programmes save around 6,000 lives every year. The cancer reform strategy, published last December, set out improvements to the programmes so that more women will be included and more women will be made aware of the benefits of screening, particularly in poorer communities.

Andrew Rosindell: Does the Secretary of State accept that despite the good work that is being carried out, only 70 per cent. of women between 50 and 70 are regularly being screened—once every three years—and there are huge discrepancies across the country? Have not the Government failed to meet their targets on this and, in so doing, are they not letting the women of this country down?

Alan Johnson: No, we are not, but the hon. Gentleman identifies a problem that was contained in the cancer strategy. There are variations around the country. I am sure that he will join me in congratulating his own PCT in Havering, where 79 per cent. of eligible women have been screened in the last five years. He is right about the disparities, which is why the cancer strategy asked all strategic health authorities to work with PCTs to identify how they can have more consistency and, in particular, how to get to those poorer communities. Even in the areas covered by institutions such as King's College hospital in London, which has a wide reach, there are still pockets of communities that those institutions are not getting to. That is a very important part of the cancer strategy.

Tony Lloyd (Manchester, Central) (Lab): Will my right hon. Friend comment on this matter? Where screening detects the existence of cancer and where women are forced to have mastectomies, medical advice suggests that it is far better to have reconstructive surgery at the same time as the removal of the breast, but this is not routinely offered in all circumstances. Will he ensure that that is now part of the routine exchange between doctors and their patients?

Alan Johnson: I am happy to look into the point that my hon. Friend raises. It has not been particularly registered with me yet, but it is an important area and I will look into it.

David Tredinnick (Bosworth) (Con): Is the Secretary of State aware that most NHS oncology units now offer a range of complementary services in support of their work with cancer? Is he further aware that many of those links were developed at the Royal London Homeopathic hospital, in particular the use of acupuncture, and that PCTs have been withdrawing their support for that world-famous hospital? Will he now issue guidelines to PCTs, stressing that the Royal London Homeopathic and the other hospitals, such as Tunbridge Wells, threatened with closure offer a wide range of services, in line with Government policy?

Alan Johnson: I understand the hon. Gentleman's interest in this area, but it is for PCTs to contract the right care for patients and for them to make decisions. There are many who do contract in respect of homeopathic medicines and it is important that we leave them free to decide what is best for their communities.

Mr. David Evennett (Bexleyheath and Crayford) (Con): According to *The Lancet*, the five-year survival rates for cancer sufferers in Britain are among the worst in Europe. Detecting cancer early is vital for improving the survival rate, so why are some women waiting up to 12 weeks to receive the results of their cervical smear?

Alan Johnson: We have screened 3.4 million women since 2006-07 and we are reducing the number of deaths from cancer by about 2 per cent. a year. We started off well behind the rest of Europe, but as the cancer strategy is pointing out, we are now catching up, although we need to do much more. Much of that is about early diagnosis, but I accept the problem of women being called back within a proper time if their screening determines that there is a problem to resolve. We have made enormous strides on that and we believe that we have a record of which we can be proud in this country.

Drug Addicts

2. **John Penrose** (Weston-super-Mare) (Con): What steps he is taking to ensure that drug addicts referred for out-of-area treatment have a fully developed care plan and that the referring agency retains responsibility for the client through subsequent stages of their treatment and rehabilitation. [194622]

The Minister of State, Department of Health (Dawn Primarolo): Following the issuing of guidance in 2007, the National Treatment Agency has been working closely with the local partnership in Weston-super-Mare, and the National Offender Management Service is working closely with the relevant probation service to resolve the difficulties identified by the hon. Gentleman.

John Penrose: I thank the Minister for that reply, but outside the probation service—in terms of medical referrals for addicts going for treatment in places such as Weston-super-Mare—will she commit here and now

to the principle that the referring agency sending the addict for treatment retains responsibility for that addict throughout their programme of treatment and rehabilitation, rather than just allowing them to be abandoned into the care of local services after one or more of the initial steps in their treatment has been completed?

Dawn Primarolo: I absolutely agree with the hon. Gentleman on his important point, particularly with regard to the experiences of communities in Weston-super-Mare. I intend to follow this through, because treatment plans are an important part of the process and of supporting individuals. First, I will speak to my colleagues in the Ministry of Justice, specifically about referrals through probation services. Secondly, we will work with the NTA, the local authority and the local partnership to ensure that we address other referrals to the area in the way he suggests, because that is the only way to ensure that the treatment plans are delivered and work. I commend him for working so hard on this issue for so long.

Mr. David Kidney (Stafford) (Lab): The January National Audit Office report on community sentences drew attention to the shortage of alcohol misuse treatment courses. Should not the NHS be working with the probation services locally to make sure that rehabilitation for alcohol misusers is available everywhere in the country?

Dawn Primarolo: We expect the local area partnerships, including probation services, local authorities and the primary care trusts, to develop the relevant strategies, treatment and support for their communities, including treatments in residential places for those with alcohol misuse problems. If my hon. Friend has specific issues concerning his area that he wants to draw to my attention, I will be happy for him to do so, and I will follow them through.

Anne Milton (Guildford) (Con): According to the Government's own figures, since 1997 deaths due to misuse of drugs have increased by almost a quarter and we have also seen the street price of class A drugs almost double. Is the Minister concerned that the fully developed care plans are not really happening and that the lack of integration is causing some of those deaths, and what will she do about that?

Dawn Primarolo: As I am sure the hon. Lady knows, there has been a 13 per cent. fall in drug-related deaths since 2001, and the number of people in treatment is now at record levels. I am sure that she would also like to congratulate the Government on the extra resources they are putting into drug treatment, and in particular into ensuring the delivery of effective treatment. Ten years ago, there was no treatment, but there is treatment now, and we must ensure that it is effective and co-ordinated. That is the Government's objective.

Margaret Moran (Luton, South) (Lab): Is my right hon. Friend aware that people from as far afield as Bournemouth are being referred to private drug clinics in my constituency, causing concern to both local police and the drug action team? What action does she intend to take to ensure that there is proper supervision and regulation of such clinics and a constant, proper treatment plan for individuals?

Dawn Primarolo: If there is a referral from a probation service outside my hon. Friend's area, the guidance is clear: that probation service needs to refer to the relevant probation service with a care plan. On treatment centres, the Commission for Social Care Inspection is responsible for registered care homes and making sure they are properly provided for; the Healthcare Commission is responsible for making sure that registered hospitals come up to standard; and her local authority is responsible for all other registered treatment centres. If my hon. Friend is concerned about these matters and feels that the local partnership is unable to deliver that co-ordination, I will be happy to receive representations from her and put them to the NTA.

Social Care Users

3. **Mr. David Anderson** (Blaydon) (Lab): By what means individual budgets will be allocated to social care users over the next three years. [194624]

The Parliamentary Under-Secretary of State for Health (Mr. Ivan Lewis): Local authorities will receive an annual social care reform grant in addition to mainstream resources over the next three years to support the radical transformation of social care in every area. Personal budgets for the vast majority of those receiving public funding are at the heart of that vision.

Mr. Anderson: What can be done to ensure that the organisations that deliver these services for vulnerable people are properly trained and have knowledge of health and safety, that police records are checked and that the organisations are capable of doing the job that we are going to pay them to do?

Mr. Lewis: My hon. Friend is right to raise those issues. Personal budgets put maximum power and control in the hands of people using services and their families, recognising that they are best placed to make choices about where they want to get care from and allowing them to control their own care and support. Of course, we also must ensure the right balance between giving people that power and control, and appropriate protection in terms of the quality of the support that people receive.

Miss Anne McIntosh (Vale of York) (Con): The Minister will be aware that it is much more expensive to deliver these services in rural areas. What assessment has his Department made of the impact on delivering this social care policy of the 2p extra per litre from this autumn? I understand that it will have a big impact on those making visits and delivering these care services, particularly in rural areas.

Mr. Lewis: Of course, this matter relates to how local authorities receive their finance from the Department for Communities and Local Government. Account is taken of a variety of factors when deciding about the allocation of those resources. When local authorities commission services from care agencies or organise services through them they must make adequate resources available so that domiciliary care agencies, or residential and nursing homes, can offer the quality care that people have a right to expect.

Mr. Ken Purchase (Wolverhampton, North-East) (Lab/Co-op): We congratulate the Minister on the pilot schemes that have been conducted whereby disabled people in particular have had personalised budgets. Can he assure the House that older people, some of whom have mild difficulties and experience some confusion, will not be disadvantaged by what I see partly as an atomisation of these funds to people who may not have the power of advocacy shared by everyone, which means that they may not do particularly well and could be overlooked completely in the new scheme of things that he has planned?

Mr. Lewis: Of course, my hon. Friend raises an important point. First, the principle is that we should assume that individuals have the ability to make choices and exercise self-determination about their lives. Where someone clearly has difficulty making such choices because of disability or their health, family members are often better placed to make decisions about care and support than professionals ever will be. If family support is not available, what matters is that we put in place professionals and advocates who can ensure that money is spent in the best interests of the person. All the evidence from the individual budget pilots suggests, first, that where people have more control, they get better quality of life outcomes in terms of what they want in order to live an independent life and, secondly, that we get much better value for public money.

Mr. Henry Bellingham (North-West Norfolk) (Con): Many of these social care users are either in residential or nursing care homes, many of which are under extreme financial pressure. What can the Minister do to speed up payments to the homes?

Mr. Lewis: I say to the hon. Gentleman that, with all due respect, we cannot have a set of policies that aim to provide maximum devolution, localism and control located in local communities, rather than top-down diktats from Westminster and Whitehall, and then ask Ministers to interfere in decisions that properly belong with local authorities. We want local authorities to use their commissioning responsibilities to ensure that they incentivise and encourage high-quality care that puts dignity and respect at its heart, particularly for older people, and that they close down homes that cannot offer that quality and dignity to older people. It is important that local authorities treat providers fairly, but those decisions have to be taken at local level.

Mrs. Joan Humble (Blackpool, North and Fleetwood) (Lab): What guidance is given to local authorities to ensure that maximum flexibility is allowed to those in receipt of individual budgets? The Minister will know from correspondence that when people have moved from the part of my constituency in the Lancashire county council area into the Blackpool council area they have found that the budgets that they have been allocated cannot be transferred and that some of the care that they have purchased is not the sort that the other local authority will allow. We need uniformity around the country.

Mr. Lewis: My hon. Friend has been a champion for older people and for social care generally since she was elected to this place and was a distinguished chairman of her local authority social services committee, and she raises an important issue. It is one of the reasons why we are conducting a fundamental review of the eligibility criteria—we know that people's entitlement to services can be very different depending on where they live—and why we are committed this year to a fundamental consultation involving people throughout the country on the nature of the future care and support system for older people, disabled people and people with mental health problems. We face significant demographic pressures—an aging society—and different expectations, in that people want to live in their own homes and have independent lives, so we need to have a debate and then a new funding settlement on care and support in the future.

Mrs. Madeleine Moon (Bridgend) (Lab): When direct payments were introduced, my local authority drew up a service level agreement with the Shaw Trust to act as a management agency, supporting people with learning disabilities to manage their care packages. Does my hon. Friend agree that such a management agency will be vital for local authorities to help vulnerable older people manage the money to manage their care?

Mr. Lewis: My hon. Friend is absolutely right. The encouraging news is that in 2004, 20,000 people were using direct payments, but by 2006 nearly 60,000 people were using them. So, contrary to the myth, the system is incredibly popular when people are given a genuine choice. Having said that, when personal budgets and payments become the norm and part of the mainstream of the social care system, we will have to build systems in every locality that enable people to exercise that choice and control. One of the issues that we will have to address is minimising the bureaucracy and the red tape, including payroll, human resources and employment law.

Waiting Times

4. **Mr. Peter Bone** (Wellingborough) (Con): What the average waiting time for hospital treatment was at the end of April 1997, and on the most recent date for which figures are available. [194625]

The Minister of State, Department of Health (Mr. Ben Bradshaw): The average waiting time for hospital treatment has fallen from 13 weeks in March 1997 to less than five weeks at the end of January 2008. By December this year, no one should have to wait for longer than 18 weeks from the time of GP referral to treatment. By contrast, in 1997 it was not uncommon to wait for more than two years and people died languishing on waiting lists.

Mr. Bone: I thank the Minister for that answer, but it was not an answer to the question that I asked. Since 1997, the average waiting time for hospital treatment has increased by 20 per cent. Why does it take 20 per cent. longer under this Government to receive treatment than it did under the Conservatives?

Mr. Bradshaw: I did answer the question that the hon. Gentleman asked. He has made the mistake of not analysing a recent misrepresentation of a particular statistic on the BBC website that took the median

weight for people who had actually had their treatment. The reason—*[Interruption.]* Wait for it: I can explain it to the hon. Gentleman. The reason why the median increased up to 2004-05 was that all the people who had been waiting for an extremely long time under the previous Government were now getting their treatment. Previously, those people were not even included in the figures. So it is entirely misleading for the hon. Gentleman or anyone else to suggest that average waiting times have increased under this Government. Of course they have not, and it is complete nonsense.

Tony Baldry (Banbury) (Con): Waiting lists will, to a large extent, depend on the configuration of services, and the Minister will know that in north Oxfordshire we are anxiously waiting to discover what is going to happen to proposals for the Oxford Radcliffe NHS Trust and the configuration of services at the Horton hospital. Can any Minister explain to me why it was not possible for the independent reconfiguration panel to publish its proposals today, when we have health questions, instead of on Thursday, just before the House rises for the Easter recess? If they had been published today, Ministers could have been held accountable, but as it is we will not be able to ask Ministers questions about those proposals for more than a month.

Mr. Bradshaw: The hon. Gentleman appears to suggest that the independent reconfiguration panel should set its timetable for the convenience of Ministers. I would have thought that that was exactly what he would not want. He will have to be a little more patient, because it is an independent panel and we do not set its timetable. I am sure that he would be very critical of us if we were to do so.

Organ Donation (Devolved Administrations)

5. **Gordon Banks** (Ochil and South Perthshire) (Lab): What discussions he has had with counterparts in devolved administrations on promoting organ donation. [194626]

The Parliamentary Under-Secretary of State for Health (Mr. Ivan Lewis): All four UK Health Ministers have accepted the 14 recommendations of the organ donation taskforce and will work together to promote organ donation. The taskforce believes that implementation of the recommendations will increase donor rates by 50 per cent. over five years and enable around 1,200 additional transplants each year.

Gordon Banks: I thank my hon. Friend for that answer. As we await the organ donation task force report, which is expected later in the summer, I urge the Minister to ensure that the organ shortage in the UK is tackled and solved on a UK-wide basis and not on one that is decided by regional assemblies and Parliaments.

Mr. Lewis: My hon. Friend is absolutely right. We have worked closely so far in partnership with devolved Administrations. I want us to move to a UK-wide approach to these issues. We should remember the human nature of the issue. People all over the UK are waiting to have transplants right now. We need more organs. It is important for both people's lives and their quality of life that we significantly increase the availability of organs in the future. It is about people's quality of life.

Elderly People (Care)

6. **Mr. Phil Willis** (Harrogate and Knaresborough) (LD): What steps he is taking to improve provision of care to the elderly. [194627]

The Parliamentary Under-Secretary of State for Health (Mr. Ivan Lewis): A number of steps are being taken to improve the provision of care to the elderly, including a three-year social care transformation programme, the first ever national dementia strategy, the new deal for carers, the extension of our dignity and care campaign, CSCI's review of social care eligibility criteria, the introduction of star ratings for care providers, the review of the adult protection framework, Lord Darzi's NHS next stage final report and public consultation that will lead to a Green Paper on the future of care and support.

Mr. Willis: I compliment the Minister on producing a series of policy documents. The sadness is that there is a huge disconnect between the policy and its delivery. An elderly lady in North Yorkshire was discharged from hospital last week into the care of North Yorkshire social services. She was not able to make a cup of tea, to eat or to get to the toilet. Five days later, she is back in hospital with a broken wrist and dehydration. When will the Minister make two clear criteria for care of the elderly? First, nobody should be discharged from hospital unless they have 24-hour access to support. Secondly, the elderly in particular should receive rehabilitation before they are discharged into their own homes without any support at all.

Mr. Lewis: The hon. Gentleman raises a serious point. I take personal responsibility for ensuring that he is well looked after in his retirement. The serious point is that the experience of that elderly lady in North Yorkshire is entirely unacceptable. The relevant local authority and health services need to get their acts together. There is no excuse whatsoever for older people being discharged from hospital and left without appropriate care in their homes. That is why we are reviewing the eligibility criteria and why, from April, we will radically transform the way in which social care is carried out in every part of the country, including Yorkshire. We are reviewing the eligibility criteria, as they mean that far too many older people are left alone without adequate care and support. The hon. Gentleman is right. Of course, we need to ensure that national policy supports an improvement in people's experiences. Equally we need better local leadership to take responsibility for closing the gap between health and social services.

Mr. Brian Jenkins (Tamworth) (Lab): As my hon. Friend knows, most elderly people want to stop in their own homes. We want to support them. Given that we are going to have individualised budgets, does he not realise that he has to come to a decision and make it a duty on every local authority that provides social care to maintain a list of the providers of services so that

elderly people have the information to make a confident decision about whom they will purchase their services from?

Mr. Lewis: I agree entirely with my hon. Friend. Older people and their families tell us time and again that they do not have high-quality, easy-to-access information that enables them to make very difficult choices about their care or the care of a vulnerable relative. That is why at the heart of the transformation of the social care programme in every local authority area will be a new approach to information, advice and, where necessary, advocacy. That need for high-quality information and advice must apply to people who fund their own care as well as those who receive public funding.

Greg Mulholland (Leeds, North-West) (LD): A big issue in the care sector is the staff turnover rate, which is as high as 25 per cent. in domiciliary care, with as many as half those leaving the profession, or possibly more, doing so for good. As well as the severe implications for continuity of care, which the Government acknowledge is very important, there is a clear cost implication. Training costs £980 per person and in 2004-05 local authorities spent £20 million on advertising for vacancies and £151 million on agency staff. This is a problem: what does he intend to do about it?

Mr. Lewis: May I say to my good friend that he raises a really important issue, because we need to address the status and value of people working in social care? The work force tend to be low-paid and low-skilled, and that is one reason why the Government are investing a large amount in training. It is important that some of that money gets through to the private sector, as 75 per cent. of social care is provided by organisations in the private and voluntary sectors rather than by local authorities. Moreover, in the new care and support system that we will need in the future, it is vital that we get right the leadership, management and commissioning of the work force.

We must also have the right front-line staff. Last night, I was fortunate enough to give out awards to the heroes who, every day of the week, make a massive difference for the most vulnerable people in our society. However, we do not have enough such people, and we need to do better with our work force.

Ms Sally Keeble (Northampton, North) (Lab): Is my hon. Friend aware that Northamptonshire county council is withholding the extra funds provided by the Government to pay for increased care for older people, and not passing the money on to care homes? Is that happening elsewhere? What will the Government do to ensure that the funds that they provide to pay for old people's care are not withheld by local authorities and used instead on internal bureaucracy?

Mr. Lewis: It is for local authorities to decide the level of fees that they are willing to pay to providers, but it is difficult to justify zero per cent. increases when everyone knows that, at the minimum, care providers must take account of inflation. Increasingly, we want local authorities to use their commissioning power to reward with premium rates those homes and domiciliary care agencies that offer quality and dignity, and to be much tougher on those services that achieve only the minimum standards and that do not offer the dignity and respect that older people in particular deserve.

General Practitioners (Opening Hours)

7. **Annette Brooke** (Mid-Dorset and North Poole) (LD): What representations he has received from general practitioners on extended opening hours. [194628]

The Secretary of State for Health (Alan Johnson): I have received representations from GPs and the British Medical Association, as well as from patients and patient groups. I am pleased that the BMA has agreed new arrangements for GP practices to be open in the evenings and at weekends. The new arrangements will benefit patients, the NHS and GPs.

Annette Brooke: I thank the Secretary of State for his answer. Do the Government have any plans to force GPs to open for a set number of hours? Does he agree that forcing them to open for extended hours in the evening when there is no demonstrable need would have a knock-on impact on the general quality of primary care services?

Alan Johnson: The answers are no and yes: no, we will not force any GPs to open longer; and yes, there would be an adverse effect if we were to do what the hon. Lady suggests. Our negotiations with the BMA were based on getting GPs to open for an extra half an hour for every 1,000 patients on their books, which would mean that an average-sized practice would be open for an extra three hours a week. A much smaller practice would not be open for so many extra hours, while a much bigger one would be open for more. Our formula takes into account the fact that in many areas—rural areas, for instance—there is no need or demand for GPs to be open longer.

In the ballot that was held, 92 per cent. of GPs who voted accepted a system that will not force them to do anything that they do not wish to do. However, the system will ensure that the taxpayer's money that is there to incentivise GPs will, among other things, give them an incentive to open for longer. That is what the patients in the vast majority of our communities want.

Mr. Andy Reed (Loughborough) (Lab/Co-op): Does my right hon. Friend agree that the flexibility to which he has referred should reflect the fact that a town may have a walk-in centre that also provides health services? In his discussions with the BMA and GPs, has he been able to make it clear that there will be no financial disincentive for GP practices in areas where such walk-in centres exist? Sometimes, as is the case in my area, a GP practice and a walk-in centre are located in almost exactly the same premises.

Alan Johnson: My hon. Friend makes a good point. Along with the BMA, we will be implementing the process. The BMA has made it clear that now that it has the ballot result it will work with us. Our ambition will be to ensure that there are no unintended consequences. My hon. Friend is probably right to say that the availability and accessibility of walk-in centres

are fine as they are. As a result of the process, we expect about 50 per cent. of GP practices across the country to be open for longer. That will get the balance right and probably, with the 250 new GP practices that we are introducing across the country, which will be open from 8 am to 8 pm—150 of them, seven days a week—it will give the required choice to customers who want to visit their GP later in the evening or on Saturday mornings.

Mr. Gary Streeter (South-West Devon) (Con): May I confirm what the Secretary of State has already said? Many GPs in my constituency have contacted me to say that most of their patients are either the elderly retired or mums with young children and there is simply no demand to open practices until 8 o'clock at night. I encourage the Secretary of State not to impose a one-size-fits-all solution on areas such as mine in South-West Devon.

Alan Johnson: I do not accept the argument that patients who are mainly older people and young mothers do not want surgeries to be open for longer. To me, that is in the same category as the comment of a BMA representative, who said that accountants did not open more than five days a week so why should GPs. The evidence is that where surgeries are open for longer—for example, in Tower Hamlets, where they recently opened on Saturday mornings, or Kingston, where there has been such a service for much longer—the people who visit them on Saturday mornings are indeed elderly people and mothers with young children, who welcome the choice of going there either in the week or on Saturday mornings. I really think we shall find that there has been a bit of a myth, although I accept the hon. Gentleman's point about rural areas, which relates to my original answer.

Mark Simmonds (Boston and Skegness) (Con): It is now accepted that the Government originally mismanaged the GP contract negotiations, leading to an overspend of £1.76 billion. To address that imprudent miscalculation, the Government have reneged on agreements, including renegotiating the GP contract and unlawfully capping GP pensions. GPs are demoralised and disengaged; 97 per cent. of GPs have no confidence in the Government's handling of the NHS—

Mr. Speaker: Order. The hon. Gentleman must not make a speech. He should ask a question, but he has not asked one so far. Perhaps the Secretary of State could try to answer, because I have to get down the Order Paper and I am getting rather fed up with Front Benchers taking too long.

Alan Johnson: I think Opposition Members are on the wrong side of the argument about GP access. They are also wrong to say that the new contract in 2004 was an error—[Hon. Members: "Oh."] Or erroneous? That contract was designed to address a situation in which GPs were largely leaving the service and no medical graduates wanted to be GPs. We were facing a huge shortage and, incidentally, under the old arrangements, GPs were disgracefully underpaid and worked for too long. I think we did exactly the right thing. Yes, one of the consequences is—

Mr. Andrew Lansley (South Cambridgeshire) (Con): Would you do the same again?

Alan Johnson: Yes, because now GPs work 17 per cent. less—the number of hours they work has fallen by 17 per cent.—

Mr. Speaker: Order. I am going to be even-handed. I call Mr. Hollobone.

NHS Dentistry

8. **Mr. Philip Hollobone** (Kettering) (Con): If he will make a statement on access to NHS dentistry in (a) the area covered by Northamptonshire teaching primary care trust and (b) England. [194629]

The Minister of State, Department of Health (Mr. Ben Bradshaw): There was an increase of 7 per cent. in the number of dentists in Northamptonshire in the year to March 2007. In Kettering itself, there were 44 per cent. more dentists in 2006 than in 1997. Nationally, there are 4,000 more dentists than in 1997, and investment in NHS dentistry has more than doubled.

Mr. Hollobone: According to the NHS information centre, the number of patients in Northamptonshire seen by their dentist has fallen by 13,000 since the new dental contracts were introduced. Given that Northamptonshire is among the one third of primary care trusts that have yet to undertake a needs assessment of children's orthodontics, what measures will the Minister take to ensure that children in Northamptonshire who need orthodontic treatment will get it?

Mr. Bradshaw: I certainly urge the hon. Gentleman's primary care trust to get on with that work. There is no excuse now for any primary care trust in the country not to do so, given the increased investment in dentistry: there is an 11 per cent. increase this year and in the next comprehensive spending review period. There is a requirement in the current operating framework for all PCTs to increase, year on year, public access to NHS dentists. There is no excuse for any PCT, including the hon. Gentleman's, not to improve its results.

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): Will my hon. Friend join me in congratulating Plymouth PCT, which only a short time ago had 12,000 patients outstanding on its waiting list, who had to wait anything up to 18 months? It has turned things around, and before Christmas—the situation may have further improved by now—it had about 500 patients on its waiting list who were waiting only up to 12 weeks. Does he share my hope that the Peninsula dental school, which in a couple of years' time will be doing—

Mr. Speaker: Order.

Mr. Bradshaw: I am happy to congratulate Plymouth PCT, and I also congratulate my local PCT, which has halved the number of people waiting for NHS dentistry in the past 12 months. The south-west is one part of the country that historically has had problems, but they have been addressed, partly by the Government's creation of new dental schools, including one in Plymouth, for the first time in more than 40 years.

Mike Penning (Hemel Hempstead) (Con): Yet again we have heard a Minister deny that there is a crisis in NHS dentistry. However, the Patients Association

recently published a report entitled "The New Dental Contract—Full of Holes and Causing Pain?" Whom should we believe: the Government or the Patients Association, which tells us that there is a crisis in NHS dentistry?

Mr. Bradshaw: I would rather listen to the testimony of hon. Members of this House, speaking from experience of their constituency, and to the facts. Given the introduction of the new contract, and the new investment that is now coming on stream in dentistry, I am afraid I have to tell the hon. Gentleman that not for much longer will he be able to say in the House that NHS dentistry is in crisis.

Procurement Targets

10. **Andrew George** (St. Ives) (LD): How many targets he has set on the procurement of services. [194631]

The Minister of State, Department of Health (Mr. Ben Bradshaw): I understand that the hon. Gentleman's question relates to primary care. There are a number of national requirements, such as being able to see a GP in 48 hours and book appointments ahead. There are also new requirements this year for new GP-led health centres, new GP practices in the areas with the greatest need, and more convenient opening times for the public.

Andrew George: On 4 July last year, the Secretary of State told the House that he would give the NHS a

"sustained period of organisational and financial stability"

and said that

"there will be no further centrally dictated, top-down restructuring"—[*Official Report*, 4 July 2007; Vol. 462, c. 962.]

Does the Minister not accept that there is a centrally dictated, top-down method of procurement for the alternative providers of medical services—GP practices? That contradicts the Secretary of State's welcome words. Why does the Minister not accept that PCTs are in the best position to decide how best to expand capacity and choice in primary care?

Mr. Bradshaw: The hon. Gentleman is wrong: there is no top-down diktat from Whitehall on how the new health centres should be procured. That is up to primary care trusts in each area. In his own area, the primary care trust is at the moment out to consultation on where best to put the new health centre. He talks about stability in the system; his own primary care trust has seen a 20.1 per cent. increase in its funding in the last two years, and it is getting a 5.5 per cent. increase in the next financial year.

Polyclinics (Rural Areas)

11. **Miss Julie Kirkbride** (Bromsgrove) (Con): What assessment he has made of the impact of his Department's proposals for polyclinics on the provision of general practitioner services in rural areas; and if he will make a statement. [194632]

The Minister of State, Department of Health (Mr. Ben Bradshaw): Local primary care trusts are responsible for organising services in their area. They are currently talking to local people and NHS staff about how the new GP-led health centres can best be provided to meet local needs.

Miss Kirkbride: I have to say that the Minister's answer gives me only very modest reassurance about the intentions of the Department of Health. I implore him not to allow PCTs to have a one-size-fits-all answer, because although polyclinics may be very worth while in some parts of the country, in other more rural parts the local GP service—the smaller service, which perhaps does not offer all the services that are available at the polyclinic—is much more welcome, and much more appreciated by the people who use it, than a polyclinic at much greater distance would be.

Mr. Bradshaw: I entirely agree that there should not be a one-size-fits-all diktat from Whitehall, and that is exactly why we are leaving it up to local primary care trusts to decide, at the local level, what is the best model for them to use in providing the new services to which we are committed. However, a health centre or polyclinic, or whatever people want to call it, opened recently in a rural area in Devon, near my constituency, and it is very popular. It offers complementary medicine—the hon. Member for Bosworth (David Tredinnick) is no longer in the Chamber—and a number of other services that patients welcome and benefit from. In some cases, such centres can reduce hugely the number of unnecessary admissions to local acute hospitals, which eases pressure on them.

John Mann (Bassetlaw) (Lab): If the Minister comes up to my large rural constituency, he will be able to see how best to introduce polyclinics. Will he allow us to keep the title "health centre" rather than "polyclinic" for both Warsop and Harworth?

Mr. Bradshaw: Yes. We should not get hung up on definitions. One person's health centre is another person's polyclinic is another person's community hospital. I am aware that there is a good one in my hon. Friend's constituency. It is not my area, but I am sure that one of my hon. Friends will be delighted to come and visit it.

Topical Questions

T1. [194611] **Ben Chapman** (Wirral, South) (Lab): If he will make a statement on his departmental responsibilities.

The Secretary of State for Health (Alan Johnson): The responsibilities of my Department embrace the whole range of NHS, social care, mental health and public health service delivery, all of which are of equal importance.

Ben Chapman: Is my right hon. Friend aware that there is widespread concern in the Wirral that the decentralisation of dermatology services will result in a deterioration in the quality of the treatment provided, a loss of critical mass, a loss of specialism, a loss of resource and a generally poorer service? Does he have plans to review the policy?

Alan Johnson: I do not agree with my hon. Friend, who wrote to me about the matter in June. What has happened in the Wirral is that some dermatology services are moving to local community-based services. That does not detract at all from the specialist dermatology units in hospitals in the Wirral, and I can give him the assurance that that will enhance dermatology services and not detract from them.

T2. [194612] **Mr. James Gray** (North Wiltshire) (Con): It is only just over a year ago now that the Government produced their consultation paper on community hospitals, giving broad support for hospitals, despite which Kennett and North Wiltshire primary care trust announced deep and damaging cuts in Chippenham hospital in my constituency. It announced that the number of beds in Chippenham hospital would go down from 43 to 30, which we all opposed. Will the Minister explain why the PCT announced today that there would be not even 30 beds but 10, which is not viable from an economic or a medical standpoint?

The Minister of State, Department of Health (Mr. Ben Bradshaw): Our understanding is that the local PCT has decided to reduce the number of medical beds not to 10 but to 20 at Chippenham hospital, because it has cut delayed discharges by half and successfully introduced district nursing teams. The maternity unit at Chippenham is being expanded. The proposals have been backed by the Conservative Wiltshire county council overview and scrutiny committee. As the hon. Gentleman knows, because he has had a good briefing from the local PCT chief executive, the PCT is bidding for capital funding from the Department for a massive expansion of facilities at Chippenham hospital.

T3. [194613] **Richard Ottaway** (Croydon, South) (Con): Is the Minister aware that there is a problem with prescription drugs being ordered on the internet from overseas and imported into the United Kingdom through the post? That is fuelling a growing trend, particularly in sleeping pill addiction, sometimes with fatal consequences. Will she consider speaking to the Foreign Office and the Home Office to set up a special unit to address this dangerous trade?

The Minister of State, Department of Health (Dawn Primarolo): I am aware of the trends that the hon. Gentleman describes and I have had discussions with the relevant authorities. As he knows, there are strict controls on imported drugs, but we are speaking primarily about internet and mail order for personal use. The Medicines and Healthcare products Regulatory Agency is taking steps to monitor that and working with Her Majesty's Revenue and Customs, international authorities, the Association of the British Pharmaceutical Industry and the British Medical Association. I will certainly consider the hon. Gentleman's point about taking that further through co-operation in Europe.

T6. [194616] **Mrs. Claire Curtis-Thomas** (Crosby) (Lab): Will my right hon. Friend describe what he is doing to ensure that there are opportunities for young people, and particularly for older women eager to start work after having children, to take up apprenticeships in his Department and the wider health service?

Alan Johnson: I can tell my hon. Friend, who is a great champion of apprenticeships, that 5,000 apprentices are registered with the Learning and Skills Council in health-related apprenticeships, for example in dental nursing or as pharmacy assistants. We plan to treble that to 15,000 by 2010. I will look into the possibility of designing apprenticeships so that more women who wish to return to work can do an apprenticeship in the national health service.

Norman Lamb (North Norfolk) (LD): May I draw the Secretary of State's attention to a document obtained by Remedy UK? It is a survey of hospital trusts around the country, and it shows massive problems in recruitment—particularly at senior house officer level. It also shows a national shortage of doctors able to do locums. All that appears to be putting patient safety at risk: in Surrey, an NHS trust says:

"we had to run the service on several occasions without the required number of doctors".

On top of all the problems last year, is that not more evidence of a failure of work force management and planning? What will the Government do about it, particularly given the risks to patient safety and patient care?

Alan Johnson: We are aware of the issue; the problem has been circulating anecdotally for some time. We do take it seriously; that is why at the beginning of February we asked the strategic health authorities to help us understand its extent and nature. It is worth bearing in mind the fact that we employ 120,000 doctors in England, and although some trusts have reported such issues, many have not.

There have always been problems in staffing some rotas in shortage specialties. The issue for us has been whether the nature and scale of the problem are different this year. The survey has given us a clearer idea of how to tackle the issue. On the point made by Remedy UK, I should say that this year we will move to three different starting points for junior doctors, rather than the single system that may well have had an effect on the figures cited by the hon. Gentleman.

T7. [194617] **Tony Lloyd** (Manchester, Central) (Lab): One of the undoubted successes of the past 10 years has been the flow of money into areas such as mine, where medical need is higher than in other parts of the country. However, do my right hon. and hon. Friends on the Front Bench accept that we still have some way to go to make sure that patient need is what determines funding—not simply historical patterns, particularly those imposed for grossly partisan political reasons by a previous Conservative Government?

Alan Johnson: My hon. Friend will know that the funding for his primary care trust, which covers some deprived areas in Manchester, has increased by 25 per cent. in the past few years. Our aim is to ensure that that process continues without taking away money from areas without those levels of deprivation. All areas must receive an increase in funding; those with specific health needs—they are usually in the areas of greatest deprivation—should receive more.

We have made an across-the-board allocation of 5.5 per cent. this year, because the Advisory Committee on Resource Allocation, the organisation that does the

statistics for us, requested an extension before it could give us its new formula. We have made an across-the-board increase this year; next year, however, we will return to ensuring that issues such as deprivation are fully taken into account.

Mr. Andrew Lansley (South Cambridgeshire) (Con): Does the Secretary of State agree with me that it would be unacceptable if a junior doctor who had been working in the national health service for several years post-registration could not complete their specialty training simply because of the lack of training places?

Alan Johnson: I would like to know the specific details. We would like all doctors in training to have a job at the end of that training. There is no absolute certainty that people training for any profession—to be architects, lawyers or even postal workers—will have a job at the end of their training. However, we want to ensure that people do have a job at the end of their training, which is why we try to get the statistics and figures right. If the hon. Gentleman has a particular concern about a specific doctor, I shall be happy to look into the matter.

Mr. Lansley: As we have the Secretary of State here, may I ask him about the Budget? Last week in his Budget statement, the Chancellor did not say anything about the national health service, but according to the Red Book the future provision for NHS expenditure over the next three years was cut by £3.2 billion—that is, there will be £3.2 billion less in provision for the NHS in the next three years. Can the Secretary of State explain why?

Alan Johnson: The Chancellor was able to report record levels of investment in the national health service, rising to £110 billion at the end of this comprehensive spending review period. I am fascinated to learn that the hon. Gentleman is going to put another £28 billion into the NHS, as well as make the £10 billion in tax cuts to which his party is already committed.

Mr. Khalid Mahmood (Birmingham, Perry Barr) (Lab): Will my right hon. Friend join me in congratulating the Heart of Birmingham primary care trust on building a brand new primary care health centre in my constituency? Will he find time to come to the opening in the near future?

Alan Johnson: I would very much like to come to see my hon. Friend's new health centre. *[Interruption.]* It may well be a polyclinic. The Conservative party spelled polyclinic "pollyclinic" in a recent press release. We are not building health centres for parrots, and my advice to the Opposition is that they should not criticise a policy they cannot spell.

Sir Nicholas Winterton (Macclesfield) (Con): Do the Government accept that people in rural areas already have to travel considerable distances to a GP practice, and the cost of getting there will increase in the near future? Does the Secretary of State accept that rural GP practices are particularly important and that the Government should place special emphasis on their survival? The role that they play in rural areas is important and we must not deprive those areas of facilities any further.

Alan Johnson: The hon. Gentleman is right about the importance of GP services in rural areas, not least because, if we expand the services available in GP practices in rural areas, patients would not have to travel long distances to hospital. I am meeting the Government's rural adviser shortly to discuss GP services in rural areas.

T8. [194618] **Lorely Burt** (Solihull) (LD): Last September, the Prime Minister announced that all hospitals would receive a deep clean to help to tackle the scourge of superbugs such as MRSA. My hospital trust—the Heart of England NHS Foundation Trust—has estimated that it will cost between £600,000 and £700,000 to deliver the deep clean. Why is the cost having to be met from front-line services when the Government asserted that that should be done with new money?

Alan Johnson: The hon. Lady has been misinformed. We have provided the funding to each strategic health authority to meet the cost of the deep clean. They are not expected to divert money from other resources to it. We provided the money from the centre.

T4. [194614] **Mr. Philip Hollobone** (Kettering) (Con): Three out of 10 pregnant women carry the group B streptococcal bacterium, which is the most common form of life-threatening condition in new-born babies. Will the Minister with responsibility for public health agree to meet me and Group B Strep Support, which campaigns for routine screening for that condition?

Dawn Primarolo: The hon. Gentleman has raised the matter with me. If he speaks to me at the end of Question Time, we will make arrangements for a meeting.

Mrs. Joan Humble (Blackpool, North and Fleetwood) (Lab): Is my right hon. Friend the Secretary of State aware that the all-party social care group recently completed an inquiry into the challenges that face the social care work force? Will he ensure that, when social care staff work in multidisciplinary teams, they are accorded due status and that the voice of social work is heard on behalf of their clients?

The Parliamentary Under-Secretary of State for Health (Mr. Ivan Lewis): My hon. Friend is right to make that point. If we consider that more and more people stay in their homes, that we are moving care out of hospital and closer to home, and that we are keeping people out of institutionalised care, the contribution of social care is increasingly essential and every bit as important as that of the NHS. The professionals who work in those different agencies should be afforded the same value and respect. We need to start blurring some of the professional titles and focus on the needs of individual patients and families.

Greg Clark (Tunbridge Wells) (Con): The Secretary of State knows that everyone in my constituency anxiously awaits his decision to approve the new PFI

hospital at Pembury. Will he reassure me that we will have that decision, as planned, by the end of the month?

Mr. Bradshaw: Yes. My right hon. Friend the Secretary of State has today given final approval for the scheme to reach financial close. He expects the formal contract for the new hospital to be signed shortly. Construction of the new facilities is due to begin in late March and the first patients are scheduled to be admitted in early 2011, with the project completed by 2012.

Mrs. Madeleine Moon (Bridgend) (Lab): Self-harm is a key indicator that someone may go on to take their own life. What steps are the Government taking to provide counselling and support for self-harmers?

Mr. Lewis: My hon. Friend raises an important point. As she is aware, we have a national suicide strategy in this country that has been effective in reducing suicides. We have made significant progress. She is absolutely right to raise the particular problem in her constituency and to demand action to deal with it. The number of young people who have died in a relatively short period of time in her constituency is frightening. It is very important that the relevant authorities in that area respond in a positive and collaborative way. We certainly have to take self-harm far more seriously than perhaps we have in the past.

Points of Order

3.30 pm

Mr. Andrew Mackay (Bracknell) (Con): On a point of order, Mr. Speaker. This morning you will have noticed news coverage of the Secretary of State for Defence trying to gag coroners by taking legal action. Have you had a request from the Secretary of State to come to the Dispatch Box and make a statement on this important matter?

Mr. Speaker: That is not a point of order. If the right hon. Gentleman wishes to table parliamentary questions to the Minister concerned, he is welcome to do so.

Tony Baldry (Banbury) (Con): On a point of order, Mr. Speaker. In fairness to you and the House, I simply observe that my office was told by the independent reconfiguration panel that it is publishing its report on Thursday rather than today at the behest of the office of the Secretary of State for Health.

Mr. Speaker: I thank the hon. Gentleman for raising that matter.

Land Use (Garden Protection)

3.31 pm

Mrs. Caroline Spelman (Meriden) (Con): I beg to move,

That leave be given to bring in a Bill to make provision for the protection of gardens and urban green spaces; and for connected purposes.

Hon. Members may recall that last year I sought to close a loophole in planning law that has led to gardens up and down the country being prioritised for building. My private Member's Bill last year followed the extensive work done by my hon. Friend the Member for Tunbridge Wells (Greg Clark). I am delighted that he is a sponsor of my current Bill. Despite having support from hon. Members from all parties in the House, my Bill last year was talked out by the Government, who have so far failed to solve the problem. How I wish that they had listened more carefully to the impassioned, eloquent contributions from Government Members on the subject.

In my current Bill, I am once again asking for a simple provision to be made in planning law so that local councils can, where they feel it appropriate, protect gardens from being built on. Ministers claim that such a power already exists in changes that they have made to planning guidance, but the evidence from my constituency since the introduction of that and other guidance shows that the problem continues. In my constituency, 43 per cent. of all applications made have been to build on a garden site. In other areas, the situation is even worse. A survey of six local authorities—Bradford, Chelmsford, Guildford, Nottingham, Oxford and Tunbridge Wells—found that 72 per cent. of all brownfield site development was on gardens.

The impact on the environment, infrastructure and people's quality of life has been disastrous. Gardens are a valuable source of biodiversity. They are a haven for wildlife and play a critical role in getting the balance right between the built and the natural environments. The gardens being concreted over are leaving a malign environmental legacy.

Just a few weeks ago, Sir Michael Pitt, who led the Government's review of last summer's floods, told the BBC that the garden grabbing surge had increased the risk of further flooding. He said:

"If it was just one house and one garden, this would not be an issue. It's the cumulative effect over time of many, many properties".

It would be a mistake for the Government to ignore Sir Michael and an even greater one to underestimate the strength of public feeling on the issue.

I ask colleagues simply to Google "garden grabbing" and see the fury that the issue is creating. Garden Organic has a powerful online campaign, to which people have sent their pictures and testimonials about the damage that has been wrought by current planning policy. The people contributing are not mindless nimbies; they are raising concerns about the environment and infrastructure, which is plain common sense. Neighbourhoods with roads, parking spaces and drainage systems originally designed to serve a handful of properties are buckling under the unsustainable number of flats being built in back gardens.

[Mrs. Caroline Spelman]

In my constituency, there is an application to demolish two family homes on Elmdon lane in Marston Green and to replace them with 71 new dwellings. Just think about the impact of that development. I am talking about a narrow, tree-lined avenue with a hump-backed bridge, where garden grabbing could lead to traffic levels increasing by 3,400 per cent.

Ironically, the changes that Ministers have made to planning legislation actually favour garden development. The combination of centrally imposed housing and density targets has left elected, accountable local authorities with little scope to defend their refusal at appeal. The Government repeatedly point to a "brownfield first" policy but, ironically, they themselves define "brownfield" for planning purposes, rather than for statistical purposes only, as they did originally. That has meant that the correct preference for genuine brownfield land to be given priority in the planning system is fatally undermined, because gardens are rich pickings for developers, who will favour gardens over a gasworks any day. This is borne out by the words of the hon. Member for Sunderland, South (Mr. Mullin), who memorably told the House of developers flying over the back gardens of Sunderland in helicopters, looking for sites to develop and neglecting the genuine brownfield sites in the process.

The logic for developers is that garden sites tend to be in areas of higher real-estate value. The end result is that two-bedroom flats are created at a price that is way beyond the pocket of first-time buyers. Also, small developments built in back gardens frequently fall below the threshold for providing affordable homes. The preference for blocks of flats on garden sites has meant that the genuine need for affordable family homes is simply not being met.

Propertyfinder.com, a major property search engine, states that

"there is a large oversupply of two bedroom flats, many of which are lying empty and unsold...The lack of availability of larger homes has in turn affected their affordability as excess demand and insufficient supply has increased the gap between the price of a two-bed and a three-bed home."

So why are the Government repeatedly turning a deaf ear to this issue? Are they unaware of the environmental legacy that we are leaving? Do they have an innate wish to see gardens and green spaces being built on? Or is it simply that defining gardens as brownfield land was a drafting error that has given rise to an unintended consequence? I am a generous-minded sort of person, and I would like to believe that this last explanation is the correct one. If it is not, those involved in this planning legislation are guilty of environmental vandalism on a vast scale.

I implore the Minister—on behalf of the 179 MPs on both sides of the House who signed early-day motion 2130 in the last Session, and on behalf of all those living in the shadow of inappropriate garden development—to add a minor provision to the planning guidance that would simply allow councils to give a garden protection against development where they felt that it had a particular value or function in a neighbourhood. That would be a proportionate and reasonable way of addressing the growing problem. It would rely on the Government's trust in elected councillors correctly to judge where and when it was in the interests of a particular neighbourhood to safeguard certain gardens. It would not be a blanket veto on garden development. If an application were appropriate, there would be no reason for it to be declined. If, however, it were inappropriate or detrimental to a neighbourhood, the council would be empowered to stop it.

At the moment, councils are enfeebled when it comes to planning. The revised planning guidance in planning policy statement 3 has not given the protection that we hoped for. It focuses on gardens for new build, rather than conserving existing gardens. Any discretion that councils have over development is so compromised by the hierarchy of housing and density targets as to be meaningless. I asked the chief planning officer of my own local authority why the new planning guidance was so ineffective, and he made it quite plain that, in the hierarchy of different planning considerations, the absolutes of the number of homes needing to be built and the need to increase density had priority over the more subjective consideration of appropriateness. That is the fundamental reason why the new guidance is so ineffective.

Surely we have to do better. Ministers cannot bury their heads in the sand on this issue. All over the country—in places like Derby, Stockton, Crawley, Cheltenham and Eastleigh, for example—powerful local campaigns against inappropriate garden development are being mobilised, and the London mayoral candidate, Boris Johnson has promised to take the issue up in his campaign. I know that legislators in the House of Commons will show similar strength by amending the planning guidance so that local authorities can exercise a right to protect gardens from development, where it is inappropriate. If they refuse, they will be judged very harshly. I support the Bill.

3.40 pm

Mr. Denis MacShane (Rotherham) (Lab): The hon. Member for Meriden (Mrs. Spelman) made her case in the way we have come to appreciate when she speaks moderately to a well-argued case, with statistics and facts marshalled in support. As she rightly said, this is a cross-party issue, and I have discussed it with my hon. Friend the Member for Sunderland, South (Mr. Mullin), who is one of her supporters. I believe, however, that the hon. Lady is profoundly mistaken and that behind her modest Bill lies a very serious rejection of our obligation to provide new homes for the new generation.

I genuinely ask the hon. Lady to reflect on what Harold Macmillan, who built 300,000 houses a year in the 1950s, would have thought to be told that what was built then on gardens, green fields and people's private land—he was right to build up British housing after the war—should be blocked by legislation such as this. *[Interruption.]* I hear from a sedentary intervention on the Opposition side that some Conservative Members seem to think that nothing had been built on a garden—in the sense of the land behind a house—until the last few years. They really need to examine the facts.

The key figure is very simple. Since the 1970s, there has been a 30 per cent. increase in the number of households, but a 50 per cent. drop in house building. Current figures suggest that we will see 210,000 new households in Britain each year over the next 20 years, but we are not building more than 150,000 to 180,000

new homes a year. The main blockage remains land and the refusal of planners to allocate it for housing. I regret to say that the arguments in the Bill will make matters worse.

All or most of our homes were built on what was once someone's garden or field and filled up a very pleasant view. In my own constituency of Rotherham, the house I live in was built under Harold Macmillan in the 1950s in what was previously someone's back garden. I can think of many other areas that used to be someone's big back garden, but that now provide homes for the people of Rotherham. Furthermore, if we look at any map of Victorian or Edwardian—or even early Elizabethan, by which I mean Elizabeth II—London, we will find that it used to be covered with gardens and fields, but people now live there. In the 1930s, when the population of Britain was half what it is today, those opposed to immigrants or asylum seekers said that we were full up, just as the racists in the BNP and Migration Watch say today, yet 90 per cent. of the surface land in the UK has no building on it at all.

We use land in a far less efficient way than other countries. In Greater Paris, for example, there are 8,649 people living in each square kilometre compared to close to half that number—4,779—in Greater London. If we compare Manhattan and inner London, we see three times as many people living in New York as in London—28,000 in each square kilometre in Manhattan as opposed to 9,000 in the same space in inner London.

Indeed, we have actually seen a decline in building on gardens—the hon. Member for Meriden did not refer to it—as new dwellings on previously developed residential land fell from 20 per cent. in 1990 to 15 per cent. today. In other words, it was the last Conservative Administration who permitted more garden grabbing—not the slogan used at the time—because Mrs. Thatcher understood that a property-owning democracy was good for Britain. Now we seem to want a garden protectionist oligarchy, which will deny to our children a right that all hon. Members have long taken for granted—the right to own our own home.

I think that it is also a matter of equity. As the famous jurist, Sir Edward Coke said,

"The house of every one is to him as his castle",

but part of our freedom as a property-owning democracy is also to be a property-selling democracy.

An owner might wish to sell his or her house and garden, or part thereof, for many reasons. Money must be released from being tied up in property for all sorts of reasons, one of which, as we all live longer, is the cost of care. The Bill will deny to many of our constituents the freedom to buy and sell their land as they think best.

The Bill is also centralising, making a Whitehall-Westminster diktat out of what should be a decision taken locally by local planners and democratically elected local councillors, who are much closer to the needs of their constituents than the ladies and gentleman of Whitehall. They will know better than us whether this or that garden, or other greenfield site, is suitable for housing.

I fully accept that not every claim to build in a garden is justified. Although, as a whole, I have made it a rule as an MP to stay out of planning rows and disputes, there may be a time when I side with constituents on a proposed development. But it is not right to tie the hands of local councillors, home and garden owners, other landowners and house builders with this over-regulation. If we are honest, we all know that the pressure to stop development is huge, as today's generation wants to kick away the housing ladder that we have climbed up and lessen the chance of our children to live in their own home.

Question put, pursuant to Standing Order No. 23 (Motions for leave to bring Bills and nomination of Select Committees at commencement of public business), and agreed to.

Bill ordered to be brought in by Mrs. Caroline Spelman, Greg Clark, Michael Fabricant, Mr. Frank Field, Andrew George, Stephen Hammond, Mr. Greg Hands, Mr. Jeremy Hunt, Miss Julie Kirkbride, Mrs. Eleanor Laing, Ms Gisela Stuart and Ms Dari Taylor.

Land Use (Garden Protection)

Mrs. Caroline Spelman accordingly presented a Bill to make provision for the protection of gardens and urban green spaces; and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 13 June, and to be printed [Bill 88].

Orders of the Day

WAYS AND MEANS

Order read for resuming adjourned debate on Question [12 March.]

AMENDMENT OF THE LAW

Motion made, and Question proposed,

(1) That it is expedient to amend the law with respect to the National Debt and the public revenue and to make further provision in connection with finance.

(2) This Resolution does not extend to the making of any amendment with respect to value added tax so as to provide—

(a) for zero-rating or exempting a supply, acquisition or importation,

(b) for refunding an amount of tax,

(c) for any relief, other than a relief that—

(i) so far as it is applicable to goods, applies to goods of every description, and

(ii) so far as it is applicable to services, applies to services of every description.—*[Mr. Darling.]*

Question again proposed.

Budget Resolutions and Economic Situation

3.47 pm

The Secretary of State for Business, Enterprise and Regulatory Reform (Mr. John Hutton): I am pleased to have the opportunity to open our last day's debate on my right hon. Friend the Chancellor's Budget, which deals with the very important issues of business and enterprise.

The Budget will help the United Kingdom tackle some of the biggest economic issues that we now face: uncertainty in international financial markets; intensified global competition; and the need to promote and support Britain's strong pro-enterprise culture. To steer the right course, Governments must listen and respond to the needs of British businesses. That is what we are doing.

My right hon. Friend the Chancellor has brought forward a Budget designed to ensure that Britain's economy remains strong in uncertain economic times. These are such times. In every respect, the Budget also stands in stark contrast to the measures that others have proposed, which would weaken our economy by compromising economic stability, threatening the public finances in the process. That would be a real double whammy for our country.

My argument today is that we should take no risks with our hard-earned stability. That is why this Budget sets a course for continued macro-economic stability, rather than putting it at risk with the unfunded spending pledges and tax cuts proposed by the Opposition parties. It promotes enterprise across the economy, rather than undermining key sectors such as manufacturing with huge cuts in capital allowances for investors, which the Conservative party has also proposed. That change would penalise investment at a time when we should instead support it. The Budget will help to deliver sustainable economic growth through greater business certainty, rather than confusing businesses with half-baked policy initiatives designed merely to last as long as it takes to generate a headline or two.

Mr. John Redwood (Wokingham) (Con): Given that money market conditions are very tense and tight on both sides of the Atlantic, will the Secretary of State comment on why the United States authorities are cutting interest rates, taking the position very seriously and pumping money in, while the United Kingdom authorities are not?

Mr. Hutton: Every country must respond in a way that is appropriate to its own market conditions, and I believe that my right hon. Friend the Chancellor and the Governor of the Bank of England have taken appropriate action to support the United Kingdom economy as it enters an uncertain period.

The Budget's foundations, and indeed its ambitions, lie in the UK's strong and stable economic record since 1997. In the past 10 years, we have achieved unmatched economic growth. The UK is the only country among the G7 to have experienced no quarters of negative GDP growth since 1997. There have been 62 quarters of unbroken GDP growth in the UK, which constitutes the longest economic expansion on record in this country.

We have helped more people to progress through work. The UK's employment rate at the end of 2007 was also the highest in the G7. A record 29.39 million people are in employment, over 2.7 million more than in 1997. We have also kept inflation and interest rates low. In case we have all forgotten, I remind the House that before 1997 the UK had one of the worst inflation records in the G7. Now we have one of the best. As a result, interest rates have averaged 5.4 per cent. since 1997, about half the rate between 1979 and 1997, which has helped home owners and businesses to plan for the long term in a much more sensible way. So we enter this period of uncertainty, caused by upheavals in international financial markets, with our economy performing strongly and with growth forecast for each of the next three years.

Mr. Henry Bellingham (North-West Norfolk) (Con): Is the Secretary of State concerned about our trade deficit, which is the worst since records began, and about our worsening competitive position? Am I right in saying that we have fallen in the World Economic Forum chart from fourth in 1998 to about 11th now? Will he comment on those two very concerning factors?

Mr. Hutton: I think that the UK remains a very competitive economy. That is borne out by the record levels of foreign direct investment in what is one of the most preferred locations for inward investment, which I think tells its own story. We have worked to provide a positive climate for business investment, raising national and international investment in our economy. Business investment has grown in nine of the last 10 years, averaging 5.3 per cent. since 1997—compared, I am afraid, with an average of just 3.5 per cent. between 1979 and 1996.

Mr. Alan Reid (Argyll and Bute) (LD): The Secretary of State talks of encouraging investment. Will not the swingeing increases in duty on Scotch whisky deter

investment in what has been a Scottish success story? Whisky is already charged a higher rate of duty per unit of alcohol than other drinks. If the Government want to tackle binge drinking, surely they should target the drinks that are responsible for it rather than targeting whisky.

Mr. Hutton: No doubt the hon. Gentleman has made a very strong constituency point. He takes a close interest in all such matters, not unreasonably given the constituency that he represents. It should be borne in mind, however, that 90 per cent. of Scotch whisky is exported, and that changes in duty relating to the UK will not affect the strong position of the Scotch whisky industry in international markets.

As I said in response to the hon. Member for North-West Norfolk (Mr. Bellingham), the UK—thank goodness—remains a magnet for overseas investment. There was a stock of over a trillion dollars of foreign direct investment in 2006 and, in the same year, a flow of $140 billion of foreign direct investment. In that regard, we were second only to the United States. I do not believe that any of those things would have happened if Britain were still locked into the cycle of short-termism that had begun to characterise much of British economic policy in the 20 years before the Government came to office. If there is one thing on which Members on both sides of the House should be able to agree, it is that we should not return to those times.

That economic success, and a powerful commitment to attracting and developing the best in global talent, have helped to make Britain one of the best places in the world in which to do business, but in today's global age no one can afford to be complacent. Everything that we seek to achieve as a country must have its foundations rooted first and foremost in greater enterprise and higher investment.

This Budget sets a course that will help Britain become, I hope, the most entrepreneurial economy in an increasingly competitive global marketplace, creating an enterprise framework that responds to the aspirations of so many of our people to start and grow a business of their own. That aspiration is evident in a record 4.5 million businesses already operating in the UK, or in the growing number of young people who say they want to form their own businesses.

Miss Julie Kirkbride (Bromsgrove) (Con): Given his remarks just then, will the Secretary of State explain how a company such as Land Rover, which is adjacent to my constituency, will be helped by the Budget in comparison with other car companies not based in the UK that will clearly have an advantage as a result of the green taxes that the Government are proposing?

Mr. Hutton: Those issues have been debated extensively already—*[Interruption.]* If any of the hon. Members want to say something on the record, let them come up to the Dispatch Box and make their comment instead of chuntering like a lot of hopeless parrots, which they are, I am afraid, beginning increasingly to resemble.

If the hon. Member for Bromsgrove (Miss Kirkbride) wants to support investment in manufacturing why does she support the halving of the capital allowances, which her party is proposing, for investment in new plant and machinery and equipment? At some point in the debate, she and others who would want to argue from her position will have to justify that.

Our commitment to Britain's entrepreneurs is reflected in the business environment that we have helped to develop, delivering higher business survival rates than a decade ago. We have overtaken many of our competitors in the EU, but we need to make more progress when we compare ourselves with the United States, the world's most enterprising economy. The US still has more businesses per head than the UK and more of them achieve quicker and higher growth than is often the case in the UK.

A range of new measures launched as part of the Budget aims to bridge that gap, creating opportunities for every section of our society, every region of our country and every sector of our economy. It is an

"innovative package of measures designed to promote enterprise."

Those are not my words, but those of Martin Temple, the chairman of the Engineering Employers Federation, who has said that the initiatives will

"tick many of the boxes for manufacturers"—

including, we hope, Jaguar and Land Rover.

Mr. Bellingham: I am grateful to the Secretary for State for being so generous in giving way. Are the proposals in the Budget to give tax inspectors the power to enter small business premises unannounced and without an official warrant a good way of building confidence between the SME sector and the Government and regulatory bodies?

Mr. Hutton: Of course there have to be proper safeguards, and a proper judicial framework and the rule of law within which all such activity takes place—that will remain so—but the hon. Gentleman and others will have to answer some important questions about how we deal with tax evasion. It is important that Revenue and Customs inspectors have the right powers to do that. If the hon. Gentleman has an alternative set of proposals that would avoid the need for the measures that we have set out, we should hear from him. We can then look at them in turn. Those who criticise should always have an alternative and, so far, I am afraid that I have not heard one.

We should compare the record with the business reaction to the Tories' flagship proposals on corporation tax—I am sure that the hon. Member for Rutland and Melton (Alan Duncan) will want to explain them to the House shortly—which the CBI has warned will damage manufacturing in Britain by cutting capital allowances to the tune of more than £3 billion, according even to the Tories' figures. On 19 March, Richard Lambert said in *The Guardian*:

"there are dangers that the removal of these tax reliefs will have potentially wider consequences, particularly on business investment in manufacturing and by introducing volatility into the taxation of capital gains."

I am a fair-minded and, I think, reasonable person and I always try to be fair to the Conservative party. In one sense, I must congratulate the Conservatives on the tax proposal, which is clearly enterprising and innovative. In fact, they have given a whole new meaning to the term "creative economy". They have come up with a

[Mr. Hutton]

host of new spending pledges that can be met only if one were to design a new mechanism that allows the Government to spend the same pound several times over. No such mechanism exists. Creative economics is not an approach to inspire business or public confidence. The Conservatives' £10 billion black hole is a recipe for risk and instability, but companies look to Government to do all they can to minimise instability in uncertain times such as now.

The Government want everyone with entrepreneurial talent in the UK, regardless of their circumstances or background, to be able to turn their ideas into reality, creating new jobs, businesses and wealth for our country. *[Interruption.]* An Opposition Member, who does not wish to stand up to make his point, is arguing from a sedentary position about the tax burden. It is worth reminding ourselves that the tax to GDP ratio is well below the peak set by previous Tory Governments and continues to rank below the EU 15 average.

Mr. Mark Prisk (Hertford and Stortford) (Con): The Secretary of State was referring to me when he mentioned a Member who was talking about tax rises. He is talking about his enterprise White Paper, which I am sure he finds exciting, but if he is so keen to encourage small firms, why is he going to add £1,000 million to small firms' tax bills? What is the economic case for doing that?

Mr. Hutton: I shall come on to that later in my speech. *[Interruption.]* No, I will come on to it when I am ready to do so, not when the hon. Gentleman pops up with a question on it. What I would say, however, is—*[Interruption.]* I will answer the question, but let me say this now: the hon. Gentleman has described this package of enterprise measures as of interest to me, but he should get out more and read what people are saying about the measures. *[Interruption.]* He is saying that they are exciting, and they are; that was the view of the CBI, the Institute of Directors, the Federation of Small Businesses and other employers' organisations. He needs to respond to that.

To achieve what I have set out, we must do everything we can to strengthen the culture of enterprise in Britain today. Taking the stigma out of failure and properly rewarding risk are two essential ingredients in helping move our economy forward. By the end of 2009, insolvency officials will be able to decide on whether publicity, in addition to a notice in the *London Gazette*, is appropriate in every case and, if so, the right medium to use. Currently, all insolvency advertisements appear in local newspapers, so such a change would help reduce the perceived level of stigma associated with bankruptcy and benefit creditors by lowering the costs of administration.

We will also ensure that British businesses have the support of a modern tax regime that balances sustainability and fairness with opportunity and competitiveness. In the pre-Budget report, a package of simplifications was announced that will save British business up to £100 million a year. The Budget will help increase those savings with a new consultation to simplify tax calculations and returns for small companies. That will enable companies to spend less time on tax and more time on business growth. From April, the main rate of corporation tax will be cut from 30p to 28p, the lowest rate in the G7. With the introduction of a new annual investment allowance from April, more than 95 per cent. of small and medium-sized enterprises will be able to write off all their capital expenditure on plant and machinery in the period in which it is incurred. That has been warmly welcomed by business organisations, but it is opposed by the Conservative party.

Following consultation with business on our changes to capital gains tax, the introduction of the new entrepreneurs relief will ensure that 80,000 business owners and investors annually will have their entire gains taxed at 10 per cent. The enterprise investment scheme has raised more than £6.1 billion, which is now invested in more than 14,000 smaller, higher-risk companies. To help even more businesses prosper, we will now increase the investor limit from £400,000 in one tax year to £500,000 from April, and we will consult on the simplification of that scheme. Those changes will all ensure greater simplicity, fairness and growth for more businesses, rewarding entrepreneurs and risk takers and rightly recognising the importance of wealth creation.

We are also bringing forward new ideas and investment to deepen the culture of enterprise in the UK. We are committed to spending a further £30 million to extend enterprise education into primary schools and tertiary colleges, bringing the total spending in this area to more than £200 million over the comprehensive spending review period.

Mr. Philip Dunne (Ludlow) (Con): The Secretary of State refers to the greater simplification that the Budget provides to small businesses, saying that it will mean business men taking less time to prepare their tax affairs. Has he assessed how much time it will take them to read through the 107 new tax notes included as part of this Budget?

Mr. Hutton: The hon. Gentleman, for whom I have a lot of respect, has argued with me before about the extensive administrative burdens reduction programme that the Government have been pursuing for the past two years. It will produce significant benefits in the round to small businesses' dealings with regulation and tax matters. The Government are seized of the importance of trying to reduce all compliance costs associated with these matters.

We are also working on the launch of global entrepreneurship week, and our work with the premier league of football clubs will open up the idea of entrepreneurship to many individuals and families who never thought it could be for them. I hope that hon. Members from all parts of the House will support that work. Those and other measures will, as Sally Low from the British Chambers of Commerce recently said,

"increase the level of enterprise education...Sowing the seeds for a new generation of entrepreneurs and business people"

—in our country.

If we are to succeed as an enterprising nation, we must remove barriers to success and, most importantly, we must redouble our efforts to support more women in starting and growing their own businesses. Despite a 17 per cent. increase in the number of self-employed

women in the UK since 2000, women remain the largest under-represented group when it comes to enterprise. If women started businesses at the same rate as men, there would be 150,000 extra business start-ups each year in the United Kingdom. If we matched US levels of female entrepreneurship, there would be 900,000 more businesses in the UK, employing millions more people. The social, as well as the economic, benefits to Britain are obvious.

We are therefore implementing a package of measures to improve knowledge, skills, finance and support for enterprise among women. We are investing £12.5 million in a co-investment fund with the aim of securing £25 million of new investment, to be invested primarily in women-led businesses. Ken Olisa, a member of the Women's Enterprise Task Force, describes the fund as

"an opportunity to create a bridge between aspiring entrepreneurs and capital."

We will also work with regional development agencies to pilot new women's business centres, building on the very successful programme that has operated in the United States for more than 20 years and creating the right culture, environment and support network to enable more women to build their own business. Regional development agencies in the east of England, the east midlands, the north-west and the south-east have all agreed to participate in the programme, and I hope that all RDAs will join that new drive to support more women in business.

We will also test how we can make enterprise information and advice available in the family-friendly environment of children's centres to help build the confidence, skills and knowledge of potential entrepreneurs, investing in our public services, not withdrawing funding from them as the Conservative party is committed to doing, as we all know. We are supporting the establishment of a new national centre of expertise to help build the economic case for women's enterprise, encouraging the financial services, private and corporate sectors to see women-led businesses as key suppliers of products and services.

Miss Kirkbride: The Secretary of State is being generous with his time. Although I commend any efforts to get more women to launch their own businesses, is he not concerned that the number of women in board rooms has decreased over the past few years? Although we want women to set up their own businesses, we also want them fully represented at the top level in the board room. Why does he think things are going backwards?

Mr. Hutton: Like everyone, I am concerned about that issue, but it does not lend itself to more Government regulation in order to resolve it. *[Interruption.]* The hon. Lady might not agree with me, but perhaps one or two others on the Conservative Benches do agree. That deeply centred cultural issue must be tackled, and we should do all we can to support companies in trying to tackle it, but I do not think it lends itself either to regulation or legislation.

All the initiatives on women's enterprise that I have described are modelled on the successful implementation of the programmes in the United States. We always know when the Conservatives do not like a policy, because rather than say that they do not like it, they start sniggering—in this case about the importance of and the need to support more women in business. *[Interruption.]* They deny the sniggering, but we heard it. Whether or not they support these initiatives is an important test of their credibility. It would be good to hear from the hon. Member for Rutland and Melton whether he supports those initiatives.

To help bridge the enterprise gap faced by other under-represented groups in more deprived regions, we are also providing more financial assistance to the Prince's Trust, which I hope will raise awareness of enterprise among some of our most disadvantaged young people. Support for community development finance institutions will also help businesses in poorer areas to access finance. Improvements to the operation of community investment tax relief will increase flexibility and confidence. We have also committed up to £10 million to establish a risk capital fund for social enterprises, the first fund of its kind, which will help social enterprises during their start-up and early growth stages.

Well-targeted regulation can help us to achieve vital social goals and ensure that markets work properly for the benefit of consumers and business, but regulation has a cumulative cost and a consequence for the businesses, third sector organisations, public sector organisations and citizens who operate in our economy. Ensuring smarter, proportionate regulation will be critical to the UK's future competitive position. So it is important that the Government do everything that they can to prioritise and simplify the regulation that really matters and remove unnecessary regulatory burdens wherever they exist.

In March 2005, following a request from this Government, the Better Regulation Task Force and Sir Philip Hampton published recommendations on how the public sector could better regulate, and we have made significant progress in implementing those recommendations. We are on our way to meeting the 2010 target to cut administrative burdens faced by companies by 25 per cent. More than £1.5 billion of cost savings have already been delivered to the economy through that mechanism. We have reformed the impact assessment process and continued to embed the Hampton principles in the work of local authorities and national regulators.

In this Budget, we are taking further steps to ensure that the impact of regulation on small and medium enterprises remains proportionate. We will strengthen our "think small first" policy so that Departments more rigorously assess whether SMEs can be exempted from new regulations or would benefit from simpler enforcement procedures. To help further reduce compliance costs, I have also asked Sarah Anderson to lead an independent review of ways to increase clarity and certainty for forms and official guidance.

Those are important new steps, but we need to go further. We need a new discipline across Whitehall, one that forces Departments to prioritise individual regulations within an overall budget and one that makes more transparent the true cost and impact of regulation on businesses. We will now consult on how we can best introduce a new system of regulatory budgets across Whitehall. Those budgets would set out the cost to business of new regulation that can be

[Mr. Hutton]

introduced within a given period and the Government will operate for the first time within an overall ceiling on new regulations.

That proposal is radical and innovative, and we will be the first country in the world to implement such an ambitious system. It will fundamentally change the creation, development and implementation of regulation in the United Kingdom and it has already been welcomed by the CBI and the Institute of Directors as a measure that could make a real and lasting difference to businesses.

Mr. Redwood: I welcome the intent behind this measure and it is a very good idea. Can the Secretary of State give us any indication of the early Budget runs in terms of relief to business in total cost?

Mr. Hutton: I shall not put a figure on that today, because it would be silly to try to do so. What we will do over the next few weeks is set out the methodology that we will deploy, and the figures will have to be put in the public domain and we will consult on them. However, it is important to recognise that the significant challenges that we face as a country include climate change, which must be dealt with sensibly and proportionately. For example, it would not make sense for us to say that we can make progress on climate change only if we scrap all the health and safety laws, or opt out of the social chapter—as the right hon. Gentleman would probably propose. We have to strike a balance, but it is important that the Government have decided that we should have regulatory budgets, and this is not a consultation on whether but on how. I hope that those budgets will come into effect in the financial year starting April 2009. All Departments and relevant regulators will be covered, and the new system will give a powerful boost to our aim of making the UK the best place in the world to do business.

Let us compare that credible action with the Opposition's incoherence on regulation. The Leader of the Opposition has a track record of proposing significant new regulation when he wants to appear family-friendly. I am sure that that has not escaped the attention of the right hon. Member for Wokingham (Mr. Redwood). When the hon. Member for Rutland and Melton talks tough to businesses, he proposes a one in, two out policy for all new regulations. Perhaps today he will tell the House which two regulations he will scrap in order to introduce the new right for fathers of newborn children to take time off at the same time as mothers. Which two regulations would go to make way for the mandatory pay audits for businesses that the Leader of the Opposition has also proposed?

I am sure that the right hon. Member for Wokingham would be able to give the hon. Member for Rutland and Melton some tips on the right way forward. It might be helpful to read out what the right hon. Gentleman has already said about the UK's framework of employment regulation, which is, I think, his starter for 10:

"we should seek opt outs from the areas of regulation that we think are most damaging...This would include all employment and social regulation."

One thing is certain: a party that tells each audience what it wants to hear will ultimately not find favour with any audience at all. Those least impressed will be British businesses looking for a clear direction from their Government to steer the UK through uncertain times in the world economy.

We want to ensure that every entrepreneur and business in the UK can access the finance that they need for business creation and growth. We will work to remove any remaining barriers in one of the world's most dynamic and flexible finance markets. *[Interruption.]* The hon. Member for Runnymede and Weybridge (Mr. Hammond) is chuntering away. I suspect that he will have the opportunity to make his own speech. We always look forward to his contributions. He has mentioned the small companies rate of corporation tax—

Mr. Philip Hammond (Runnymede and Weybridge) (Con): No, capital gains tax.

Mr. Hutton: Well, I will also come to the small companies rate of corporation tax, because the hon. Gentleman has mentioned that, too.

We have made significant changes on capital gains tax in response to what business has said to us. The hon. Gentleman would be hard pushed—he is a decent and fair man—to find any example from the G7 or from any of the developed nations of relief for entrepreneurs as generous as the 10 per cent. entrepreneurs relief announced by my right hon. Friend the Chancellor for the first £1 million of lifetime gains from business. That is a significant improvement to the current provisions on retirement relief, on which I am sure the hon. Gentleman is an expert, and will address many of the concerns that have been raised.

The hon. Gentleman will know that the small companies rate of corporation tax is part of a range of measures that have to be taken to deal with the serious issue of tax-motivated incorporation. Even with those changes to the small companies rate it is important for us all to remind ourselves of one rather important fact that has escaped all the chanting of Opposition Front Benchers. Even with the phased increases, the small companies rate of corporation tax will still be lower than it was at any time when the Conservative party was in office.

We want to ensure that every entrepreneur and business in the UK can access the finance that they need for business creation and growth. We will work to remove any remaining barriers in one of the world's most dynamic and flexible finance markets. With the support of small firms loan guarantee lenders, new measures include £60 million to the small firms loan guarantee scheme and the extension of the scheme to small and medium-sized businesses that are more than five years old. We are also providing an extra £30 million through enterprise capital funds to stimulate the provision of mezzanine finance alongside the launch of the third round of those funds on 1 April.

The public services industry is also an increasingly dynamic part of our economy. We want to increase the opportunity available for small and medium-sized enterprises to work and innovate in the sector, too. Anne Glover of Amadeus will lead a review of the barriers to SMEs winning the greater share of public contracts and consider the practicality of a 30 per cent. SME target for Government procurement. We will amend

the public sector procurement clause to enable organisations that use factoring and invoice discounting to compete for this business.

We have, I believe, listened to businesses and responded to their needs. I believe that the Budget will help the UK economy to continue to grow at a time of turmoil in international finance markets.

Tony Baldry (Banbury) (Con): The Secretary of State has just announced yet another review. Can he tell the House how many reviews his Department is undertaking at the present moment?

Mr. Hutton: The Department is not undertaking very many reviews. We are looking at a number of important issues, and many people have asked us to instigate the sort of review and investigation that I have described. We are prepared to look again at some of the issues involved.

One thing that I have learned in government—and I am glad to say that few Opposition Members have had the chance to do so—is that it is often a good thing to ask people from outside Government to take a fresh look at policies. That approach has proven beneficial for both the Government and business.

Mr. Jim Cunningham (Coventry, South) (Lab): My right hon. Friend will be aware that representatives of small business, including a delegation from Coventry, lobbied Parliament last week. The review should look at the process by which bids are submitted for contracts with local authorities that are worth less than £10,000. For small businesses employing two or three people, the ability to tender for those contracts is vital.

Mr. Hutton: I am grateful to my hon. Friend, and glad to get o[illegible] supportive intervention.

Mr. Philip Hammond: I seek clarification on a point of detail. The Secretary of State mentioned that the prohibition on invoice factoring would be abolished. It is one of the features of his enterprise White Paper, but I have here a letter from his colleague the Exchequer Secretary, dated 13 January 2008. In it, she assures me that the standard terms and conditions used by Government Departments

"do not prohibit the assignment of a debt between suppliers and third parties".

Is she wrong, or is this a non-announcement?

Mr. Hutton: I am sure that there is a perfectly sensible explanation and that, given a bit of time, I will be able to respond appropriately to the hon. Gentleman. For now, however, the right answer must be that the approach taken by that Treasury Minister was obviously correct.

The Budget will genuinely help to release the talents of more of our people. It will harness the untapped potential and rising aspirations in our society to create businesses, jobs and wealth for our country's future. It should help remove the financial, regulatory and personal barriers that still hold too many of our businesses and citizens back from achieving their ambitions and success. It is a Budget that will help boost enterprise and innovation throughout the economy. It will build on the strong and stable framework of the past decade to enable this country to tackle the challenges of the decade ahead effectively, and to seize the opportunities that it presents.

4.22 pm

Alan Duncan (Rutland and Melton) (Con): The House has listened to the Secretary of State for well over half an hour, but I am not sure that we have learned very much. What we are debating today is less a Budget than a Government confession of all the accumulated consequences of their misbehaviour in the past.

I call the Prime Minister's first Budget a "confession" because hidden away in the back of the Red Book is all the evidence of his wasted decade as Chancellor. We had 10 years of profligacy that are now costing families in higher bills every year; 10 years of incompetent management at the heart of Government that are now to cost business £1.7 billion extra over the next three years; and 10 years of the right hon. Gentleman bragging and boasting about how much he was spending, with no appreciation of the consequences.

The Chancellor did his best to talk us into submission last week, but the rhetoric has unravelled and exposed us to some very uncomfortable home truths. For all that the Prime Minister used to bang on about prudence, the cruel truth is that prudence has turned out to be not such a pretty lass.

The UK has the largest budget deficit in western Europe, and there has been a massive rise in Government borrowing. We have a consumer economy fuelled by unrestrained and certainly unprecedented levels of domestic debt, so it is no wonder that the Chancellor has been forced to downgrade his growth forecasts.

But what is the Government's response? Is it to do nothing, and to be the very definition of soporific but sensible stability? If only it was: instead, the Government's instinct is to raise taxes and spend even more, and to hit the wealth creators and entrepreneurs who are the very people who can expand our economy and help wean us off our addiction to borrowing.

In case Labour Members have forgotten, I can tell them that the wasted decade was built on the strongest economic foundations, and that it was sustained by 15 years of global growth. We have had high levels of liquidity in the market and low prices—until recently—of crude oil, with optimism remaining stable. We had all that, even despite the Asian crisis in the late 1990s, the bursting of the dotcom bubble or the tremors of 11 September.

Ultimately, all economics is cyclical. Long periods of economic growth invariably end some time and a downturn follows. No matter how successful a country's, or company's, economic management may be, the good times always have a turning point. Nobody has yet managed to abolish the business cycle. It is the most enduring economic phenomenon. Its existence is the one thing for which we cannot blame the Government, but their refusal to admit that one day the cycle would turn is something for which they are utterly culpable.

The surest sign that problems are looming and that the dreaded turning point is just around the corner is when bankers, institutions and countries convince themselves that they have entered a new period of history in which economic gravity can somehow be

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defied. As the Chancellor and the Prime Minister have both said to anyone who would listen, the disintegration of sub-prime debt did indeed light the fuse that led to the explosion of Northern Rock and the fireworks that we are witnessing in today's markets. Institutions are indeed partly to blame for allowing their judgment on the quality of lending to become polluted. For some, the music has stopped and market liquidity has evaporated.

Much of this has indeed been caused by an irresponsible United States Government deficit, but the reason that the UK Government are now undeniably culpable is that they did not use that decade to prepare for the years that would inevitably follow. Especially with globalisation's pressure on competitiveness, the Prime Minister should have recalibrated the economy so as to reinforce it for more difficult times later. He did the opposite.

At the end of the right hon. Gentleman's decade as Chancellor, we should have had lower taxes, less borrowing, better funded pensions and higher savings. Instead, all those variables have been moving in the wrong direction. Taxes are right up to their limits, debt—public and personal—is right up against the buffers, savings have evaporated and pensions have been raided to destruction by the Chancellor's unforgivable economic vandalism. He has squandered a decade of economic prosperity. He has disguised growing structural problems and deferred decisions that could easily have been taken when things were going well. He used the decade to support his political ambitions over and above the long-term interests of the country. Now, thanks to him, the economy has no slack to cope with a downturn. It is unduly reliant on the City, and housing transaction costs are likely to prove an exaggerated downward force on the housing market. He has not even managed the public finances sufficient to support inflation-based increases in public sector pay.

The Prime Minister while Chancellor should have recalibrated the British economy not just to withstand the pressures of a cyclical downturn but also to equip it to contend with the new forces of global competition from the likes of India and China. While talking of doing so, in practice he did not. In other words, thanks to the Prime Minister, the condition of the economy is ill equipped to cope with the problems posed by events in world financial markets and it contains elements that are likely to exacerbate the problems.

United Kingdom conditions are not prepared for the turn in the cycle. We have nothing set aside for a rainy day, so the pain people will face stands to be greater than it would otherwise have been. We can perhaps, therefore, rustle up a little dose of sympathy for the poor hapless creatures who have to follow in the wake of this bludgeoning Prime Minister. There is the poor, poor Chancellor who has had to succeed the Prime Minister's decade as Chancellor. He is like a poor malnourished orphan equipped with a bucket and shovel following a cart horse with bad digestion. Then we have the Secretary of State for the Department for Business, Enterprise and Regulatory Reform, whose words about our current Prime Minister were famously read into the record.

Mr. Bellingham: What did he say?

Alan Duncan: It would be inappropriate for me to repeat the words. I will steer my hon. Friend to the comment to which I am referring later. Some of the people who most wish that the Prime Minister would change his ways are people in business—people working in the thick of the economy. Those same people were left battered and bruised by the Government's election gambits in the pre-Budget report last autumn. Business confidence in the Government has eroded very fast since then.

Last week's Budget should have been an offering that restored the trust that the Government have lost, but it turned out to be more of a fig leaf to disguise the defectiveness of the British economy. It is no surprise that 92 per cent. of business leaders do not think that the Budget will restore consumer confidence. Some 65 per cent. say that it will be bad for their business, while an astonishing 73 per cent. believe that the Budget will actually contribute to the economic downturn in the UK—and no wonder, considering that the Government will take £1.7 billion in extra revenue from business over the next three years. That is in addition to the disastrous capital gains tax hike announced last August, and the small companies tax rise that was announced in last year's Budget but is coming into effect now. For small businesses in particular, it is a disturbing trend at the very moment when their pockets are feeling the pinch.

It is clear that the Secretary of State, who has been an eloquent, albeit lone, voice for business in Whitehall over the past year, may have won some important concessions, but in other ways he has not been that successful. The dreadful changes to capital gains tax—Lord Jones's words, not mine—remain pretty much the same. Income shifting has merely been deferred, with the pain being stored up for next year, not removed altogether. The same goes for fuel duty, with a sting in the tail being included for 2011. Small businesses will still be hit by the rise in their corporation tax. Recent data from one business organisation indicate that on average small companies spend £8,700 and 50 hours annually just on complying with basic tax regulations.

The enterprise White Paper, on which it is important to focus today, had some welcome news. I am glad that the Government have finally come round to our proposal that a percentage of state contracts be offered to small and medium-sized enterprises. I hope that they will go further than merely reviewing it, as the Chancellor said he would. The proposal was of course first announced by my right hon. Friend the Member for Witney (Mr. Cameron), the Conservative party leader, back in October 2006, so it has taken a little longer for the Government to copy the idea than it took them to "borrow" our inheritance tax proposals, but it represents progress none the less.

Similarly, we welcome the Government's new commitment to regulatory budgets, something that I called for at our party conference last October. If properly implemented and operated, they will be a significant step forward, but I fear that business is not holding its breath. It is the Government's fourth major initiative on regulation since 1997. Just two years ago, we were promised a year of delivery, but instead of cuts to the regulatory burden, all that was delivered to us was £16 billion-worth of additional regulations. Those

measures aside, the White Paper is terribly thin on substance and bears all the hallmarks of a Government who have run out of not just ideas, but wriggle-room. There is a plethora of small policies and initiatives, including some very minor changes to the financing regime for SMEs, but they are certainly not the key to "unlocking the UK's talent", as advertised on the document's front cover.

The most depressing part of the White Paper is a classic eye-catching initiative—a high media campaign—entitled "spark an idea", with a corresponding £12 million capital fund for female entrepreneurs. The Secretary of State mentioned that in his comments. Of course we welcome the focus on women in business, because one of the Government's biggest failures has been the failure to encourage women to establish businesses, resulting in the UK having one of the lowest rates of female entrepreneurship in the world. However, we are not convinced that the £12 million will create the growth that the Government want. Also, as the fund is being distributed through Business Link, we will need convincing that the money will find its way to women, rather than just be lost in administration.

The problem for the Government is that 10 years after they promised to be the party of business, we are seeing clear evidence of enterprise being held back by the actions of Government. Our competitiveness rating has dropped seven places in the international league table since 1997. We are falling behind other European countries in investment and research. While other countries have been developing a competitive business tax code, the UK has the unique distinction of creating a tax code that is longer than India's. The Chancellor has compounded that by adding a further 107 new technical tax changes in the Budget alone, which brings a certain Kafkaesque logic to the Government's pledge to simplify the system.

Another part of the problem is that the Department that is supposed to represent the long-term interests of business has not shown, in a decade of Labour rule, any long-term thinking that we find comprehensible.

Mr. Richard Benyon (Newbury) (Con): Does my hon. Friend agree that the Secretary of State has another problem to deal with—the bizarre decision by the Prime Minister last July to close the Defence Export Services Organisation, a body that was responsible for assisting British business to create £5 billion of inward investment every year? That decision has caused great dismay across a key sector of many of our constituencies. Does my hon. Friend agree that we must change that decision when we get into power?

Alan Duncan: My hon. Friend makes a serious point. The attempt to sanitise the process has probably gone a long way to undermining it seriously. There was a fudge between the Ministry of Defence and DBERR, as it is so ridiculously called. I call upon the Secretary of State, if not on this occasion, at least later to defend that fudge, because many of the phones have gone dead in our attempts to sell important equipment abroad.

The Department over which the right hon. Gentleman presides has had 38 Ministers since 1997. It has even had seven Secretaries of State. The Minister with responsibility for small firms has changed, on average, once every 18 months. The churn at the top is creating a churn elsewhere, so while the number of small and medium-sized enterprises in the UK has increased, the start-up rate has fallen.

Mr. Jeremy Browne (Taunton) (LD): "You churn if you want to".

Alan Duncan: Indeed. That is exactly what is happening.

While the number of female-run businesses has increased, the latest small business survey found that those businesses are replacing, not adding to, the existing stock of male-run businesses. The Government do not seem to understand that one cannot create enterprise through the distribution of little pots of money. Fundamentally, it is a cultural phenomenon, and the Government do not appear to understand that culture.

The Government have mishandled the overall economic picture, they have mishandled the business sector and they have squandered a decade of growth. Their legacy is a big bill for all of us to pay, and the Budget is a sad reflection on the plight that they have put us in. It is the Prime Minister's legacy and he will not be thanked for it.

4.38 pm

Mr. John Grogan (Selby) (Lab): I first heard news of last week's Budget when I was in outer Mongolia, where I had been dispatched with the Foreign Office, well out of harm's way, along with my noble Friend Lord Malloch-Brown. Given that I am chairman of the all-party beer group, perhaps it was the best place for me, in view of the 4p rise in beer duty. In my brief remarks, I shall reflect on alcohol policy and the alcohol industry—an important industry in our country—the energy sector, the gambling industry, and non-domiciles.

There was a significant change in the policy on alcohol duty last week. All alcohol duty—on wine, spirits, beer or cider—was increased by a similar percentage. A promise was made that in forthcoming years there would be increases of inflation plus 2 per cent. on all alcohol. It is worth exploring the reasons for that. Up to now, the Treasury has said that alcohol duty is a revenue raiser, rather than an aspect of health policy. Indeed, last week my right hon. Friend the Chancellor referred to increased alcohol duty giving additional support for families and lifting more children out of poverty. He also mentioned in his remarks, which were backed up by the Treasury press release, that as incomes have risen, alcohol has become increasingly affordable. He spoke about ensuring that alcohol duties keep up with rising incomes. For the first time, there was a hint that alcohol duties were being raised for health as well as revenue reasons. I would be interested in any clarification from Ministers on that point.

I want to explore whether the measures will be an effective way of raising revenue and promoting health. What are the implications for the pub industry, in particular? It employs 500,000 people and generates more than £20 billion—it is as big as the airline, retail clothing or media sectors. How much revenue are the increases likely to raise? The Treasury forecast in the

[Mr. John Grogan]

Red Book suggests that £8.6 billion will be raised in the forthcoming year, up from £8 billion this year—a significant rise, particularly from wine duties, which will apparently raise more than £400 million extra. At the moment, our beer duty is the highest among those of comparable European Union countries, at nearly 40p a pint.

In the past few years, beer duty has gone up a lot more than other alcohol duties: by 26.7 per cent. since 1997, compared with a 3 per cent. rise for spirits, an 11 per cent. rise for cider and a 16 per cent. rise for wine. However, as beer duty has increased, the tax take has not increased to any extent at all. In 2004, £3.1 billion was raised through beer duty; that has now decreased to £3.05 billion for the current financial year. The actual amounts raised through beer duty undershot Treasury estimates by £130 million last year and £160 million the year before.

As beer duty has risen—considerably—since 1997, the gap between the price of beer in a pub and its price in supermarkets has widened. A pint of Carling in a managed pub cost £1.65 on average 10 years ago, but it is now £2.32. The average price of a pint of premium lager in a multiple grocer was £1.14 10 years ago but is now down to £1.05. There has been a shift.

Tony Baldry: Is not the hon. Gentleman's point that the increase in beer duty will not have much of an impact on off-sales, but will have an impact on village pubs? All the village post offices in constituencies such as mine have been closed by this Government. What next? It will be pubs. It is disingenuous to suggest that any increases in beer duty will have an impact on binge drinking; they are just another way of collecting more revenue, which will also hit a valuable service—the village pub.

Mr. Grogan: The hon. Gentleman is ahead of me. Unless other measures are taken, the rises will reinforce the trend of the past 10 years of more off-sales and fewer on-sales. Ten years ago, the on-trade accounted for nearly 80 per cent. of beer sales; that has gone down considerably to just over 60 per cent. The measures will reinforce the trend from drinking in community pubs and towards more sales in supermarkets.

I shall come to the impact on health, but I shall first address the impact on tax, as the hon. Gentleman mentioned that. It is important to remember that pubs and the beer industry pay not only excise duty, but VAT and employment taxes. In fact, Ernst and Young suggested that the entire pub and beer industry contributed a total of £9 billion to Government revenue. The more that is drunk in pubs, as opposed to at home, the greater the Government revenue. The Government receive £1.14 in taxes from a pint of beer in a pub, compared with 55p for every pint drunk in the off-trade. In themselves, the measures will, as the hon. Gentleman points out, damage drinking in community pubs and favour supermarkets.

Tesco said something interesting a few weeks ago. For the first time, it admitted that it sells alcohol below cost. It hinted that that was a problem socially and suggested to the Government that it would be prepared no longer to sell it below cost if the Government changed the law to deal with the competition requirements that might be infringed if the supermarket moved alone. My fear is that, unless the Government move quickly to deal with supermarket prices, the impact of the excise duty changes will be, as the hon. Member for Banbury suggested, that the supermarkets continue to loss-lead, treat alcohol like baked beans and not raise prices in line with excise duty.

Indeed, I have a letter from a major retailer and wholesaler to a brewer. It states:

"As you know the aggressive market that we're all trading in continues".

It suggests that the brewer does not raise the price of beer following excise duty and that:

"Given the discount pricing strategies adopted in the past few years by the multiple grocers we are not confident that the budget will result in material increases in retail prices."

The Government's review of the impact of alcohol pricing on health is due in a couple of months. The Government must act urgently and take Tesco at its word. I referred to Sir Terence Leahy before Christmas as the godfather of British binge drinking, and there is no greater joy in heaven than when a sinner repenteth. However, as St. Augustine said, "Lord, make me virtuous but not yet." That is Tesco's position and the Government need to encourage it to take the further step. I believe that that will require a change in the law.

The all-party parliamentary beer group is now considering reference pricing— minimum pricing for alcohol—which is prevalent in Canada. In Canadian supermarkets, the minimum reference price of a bottle of beer is around 50p. We will hold a seminar, to which we hope to invite the supermarkets, the Treasury and the health lobby to ascertain whether we can reach a consensus. Without that, the increase in excise duty over the next few years will accelerate closures of village pubs—we have reached more than 20 a week on some counts. The community pub will also decline, and that is where drinking is supervised and managed, and where people generally drink socially. Such decline could have bad implications for one of the industries that make one proud to be British. I therefore hope that the Government will act on supermarket pricing and stand up to the supermarkets, given that they are going down a specific road on alcohol duty.

Mr. Prisk: The hon. Gentleman mentions small pubs, and he is right, but is he aware of the impact of the measures that he mentioned on small breweries? I am thinking of McMullen in Hertford and Sharp's, an excellent brewery in north Cornwall. Both told me that their costs have risen by 60 per cent., and now the Government are slapping on an additional charge. Has his group considered the impact on such excellent small breweries?

Mr. Grogan: We have indeed. To be fair to the Chancellor, and especially the previous Chancellor, the relief to small breweries on excise duty has led to an expansion in micro breweries in recent times. However, the brewers who are just above the level of micro brewers, some of whom have closed in recent years, will be especially badly affected by the increase in duty, as the hon. Gentleman says.

Three measures in the Budget affected fuel poverty: the winter fuel allowance, the action on pre-payment meters and the proposed increase in social tariffs paid by the energy companies from the current figure of £50 million to £150 million. The Government will enter into negotiations about that increase.

Let me press Ministers about the voluntary versus statutory debate. On pre-payment meters, the Chancellor referred to the possibility of legislation if the Government did not get what they wanted from the energy companies. However, possible legislation on social tariffs was not mentioned. I am not sure about the reason for that inconsistency, especially now, when some of the major energy companies are calling for statutory social tariffs. They say that it would be much easier if there were a level playing field. Let me cite two brief examples. After the Budget, EDF Energy stated:

"Our own proposal—which we have supported for some time—is for mandatory social tariffs in the form of a discount or relief against published tariffs.

This would ensure a level playing field for suppliers and sufficient funding since it would require statutory mechanisms by which money was redirected for this purpose.

It should also be possible—in a statutory framework—to solve the issue of identifying objectively the customers who should benefit."

Npower wrote to the regulator, Ofgem, just before Christmas, saying:

"At present, government is encouraging the delivery of a social action solution within a voluntary framework. It is doubtful whether this is the most efficient approach and it is also seemingly inconsistent with a market framework. We believe that the interest of the fuel poor is best served by a mandatory social tariff".

I ask Ministers to be open in their discussions with the energy companies to the possibility of a mandatory social tariff, in the interests not only of the fuel poor, but of a competitive energy market, so that all the energy companies know exactly where they stand and what they have to fulfil. If they want to go beyond that for competitive advantage, it is surely up to them to do so.

There was no reference in the Budget to energy prices as such. I was pleased that, following the Chancellor's discussions with Alistair Buchanan, the chief executive of Ofgem, there will be an inquiry into energy prices. The hon. Member for Rutland and Melton (Alan Duncan) mentioned the impact of the Budget on manufacturing industry, and energy prices are a major issue that the sector faces.

When he met the Chancellor, Alistair Buchanan said that there was no need for such an inquiry and that the market was operating efficiently. He changed his mind within three or four weeks, but I fear that his inquiry will be a little like the Princess Di inquiry with Mohamed al-Fayed as the judge rather than a witness. It would be better if Ofgem gave evidence to the Competition Commission in a full-scale inquiry into energy views, so that its views could be put against those of Energywatch, the consumer champion, which will sadly be abolished in a few months, and so that there could be a proper test. Unless there is a proper test, many small businesses and energy consumers will not have confidence in the Ofgem inquiry.

That brings me to a broader point, which concerns the relationship between the Government and business, which those on the Opposition Front Bench mentioned. I am proud that I was a small business man before I entered the House. It gave me an appreciation of cash flow, and what it means to employ people and so on. We have done a good job over two decades of getting rid of the idea that Labour is anti-business. We are a party that supports entrepreneurs, but we have also lost the progressive critique of business oligopoly and big businesses acting against the interests of small businesses.

There is a much greater willingness on the left of the American political debate, as well as among Republicans, to criticise markets in which there is self-interest and no competitive framework, rather than having markets working in the public interest. It is at least arguable that our energy sector is dominated by a number of very large companies that not only produce but retail electricity and gas. It is not clear to me that those companies are operating in the competitive interests of small businesses and consumers. It would be much better to give the issue to the Competition Commission.

The Secretary of State mentioned regulation. One of the Competition Commission's critiques of Government policy is that the Government do not refer nearly enough sectors to the commission for investigation. It is in the self-interest of regulators not to make such references, because they risk being criticised or admitting that they do not have enough powers to regulate different sectors of the economy. It will be interesting to see what Ofgem comes up with, but I hope that the Government will not rule out making a full-scale reference to the Competition Commission before next winter, when who knows what will happen to energy prices.

Finally, I congratulate the Chancellor and the Government on sticking to their guns with respect to imposing modest charges on non-domiciles. Again, it is a question of being bold and arguing the language of fairness. It is fair and right that some of the richest people in our society who enjoy many of the fruits of our society should make a contribution. Incidentally, I am disappointed that our candidate for Mayor of London, Ken Livingstone, whom I very much support, does not strongly back the proposal. Indeed, he has criticised it.

The Wall Street Journal was more correct when it said in a headline at the weekend, "New U.K. tax rules don't vex 'non-doms'". The paper gave a number of quotations from various prominent business people. One of them, a CEO of a hedge fund in "London's plush Mayfair district", said that he was still being inundated with foreign citizens who want to come and work in the City of London. The paper also cites several prep schools that are doing very well as a result of the presence of the sons and daughters of such foreigners. I believe that the so-called harm to the City of London that this measure would bring has been massively exaggerated.

I congratulate the Chancellor on the measures to ensure that non-domiciles make a fair contribution to our society, and I hope that he will look at other tax measures similar to those suggested in the TUC's report on tax avoidance and tax evasion measures. We need to ensure that we can live in a fair society in which everyone, rich and poor, makes a contribution to the public services that the Government have improved over recent years.

4.55 pm

Mr. Jeremy Browne (Taunton) (LD): I am grateful to have this opportunity to speak on behalf of my party on the Budget on the final day of our deliberations on that subject. This was a Budget with a big hole in the middle—a Polo mint Budget. Its central feature, which will be experienced by all our constituents from next month, was the proposal to cut the basic rate of income tax by 2p in the pound and to double, rather than abolish, the 10p rate. That will have a profound effect on many of our constituents when it comes into effect next month. It is overwhelmingly the biggest change that people will experience.

The Prime Minister, in his characteristically uncollegiate way, took the central feature of this year's Budget and announced it as the central feature of his final Budget as Chancellor of the Exchequer last year, thereby leaving his successor with a relatively small number of measures to pad out the 50 or so minutes that he managed to spend on his Budget speech last week.

The central feature—the doubling of the 10p rate and the reduction in the basic rate—is a hugely regressive measure that will impact adversely on more than 5 million households across the United Kingdom. They will be worse off as a result of the proposals, announced by the then Chancellor last year, that will come into effect next month. It is simply unbelievable that a Labour Government should choose to alter the income tax structure in a way that is most disadvantageous to people on low and middle incomes.

That feature was announced in last year's Budget, however, so let us look at what was announced by the Chancellor of the Exchequer last Wednesday. I think that it was Barack Obama, in the presidential contest in the United States, who observed that the tragedy of politics at the moment is that just as the issues are getting bigger—he was referring to issues such as climate change and globalisation—the political discourse seems to be getting smaller. I was reminded of that observation as I listened to the Chancellor on Wednesday, because his proposals were so timid, so meek and so lacking in purpose.

I cast my mind back to the genuinely formidable Chancellors whom I can recall. Nigel Lawson, for example, was second only to Margaret Thatcher as the politician who shaped the 1980s. Many would argue that the present Prime Minister was not second in stature to, but parallel with, Tony Blair in shaping the politics of the past decade. These were politicians who, for good or for ill, had a big view of the kind of society that they wished to mould. They painted on a broad canvas. It was therefore somewhat demeaning to see the Chancellor of the Exchequer of one of the world's largest economies rising to his full height to announce not only that he was minded to introduce a policy on plastic carrier bags, but that if the supermarkets did not implement it in two years' time, at that point he would really, really do something.

We can look back at those considerable figures, but I also see one in the Chamber now. The right hon. and learned Member for Rushcliffe (Mr. Clarke) was the last Conservative Chancellor of the Exchequer—possibly the last ever, certainly the last for the time being. He was undoubtedly a big political figure, and he remains one today. I cannot believe that he would have wished his legacy to be a threatened plastic bag levy two years in the future. This Budget reminded me of a 1950s Budget. It was full of good housekeeping, reminiscent of the days when Chancellors of the Exchequer often dealt in millions rather than billions of pounds.

Let us go through some of the measures mentioned when the Chancellor spoke about his priorities for our country. We should remember that this Government are spending £1,700 million every day; that is the scale of public spending nowadays. When the Chancellor rose on his annual opportunity to speak for three quarters of an hour, he found time and space to accommodate the following announcements into his Budget: £10 million over five years for science; £26 million—slightly less than a pound per UK household by my calculations—for home insulation; and £12.5 million for women entrepreneurs, which we have discussed this afternoon. I have never before heard a Chancellor announcing in his main Budget statement items of expenditure to the nearest £500,000. Those are all laudable objectives, but the scale is so small and humiliating that it is indicative of a Chancellor and a Government who have lost the ability to shape the bigger picture.

Tony Baldry: But was it not the intention behind all those pages of Budget coverage with lots of little boxes for various initiatives to detract from the main story of the collapse of the Chancellor's overall financial competence?

Mr. Browne: The implication of that intervention is that financial competence existed in the first place, so in that respect the hon. Gentleman displays his characteristic generosity. He is clearly more of a details man than I if he went through all those little boxes in the Budget supplements, which go on for page after page. I am not sure, however, that they win as many votes for the Government as people would like to think when they cook up these ideas in the Treasury.

What, then, of the alternatives put before us? I was intrigued and bewildered over the weekend to read the centrepiece of the new tax policy by the hon. Member for Runnymede and Weybridge (Mr. Hammond), the Conservative shadow Chief Secretary to the Treasury. As far as I understood it, it said that there was a possibility of the Conservative party cutting taxes by 2015. That, Mr. Deputy Speaker, is seven years away—*[Interruption.]* We fought and won the whole second world war more quickly than the hon. Gentleman believes he might be able to introduce some modest tax proposals. I think it was Harold Wilson who said—although perhaps not in these exact words—that seven days was a long time in politics. I do not know how long the Conservatives think seven years is, but it seems an awfully long time to be thinking up some ideas for tax cuts.

The hon. Member for Runnymede and Weybridge expanded on his policy by saying in a very touching way—I am pleased to see him in his place to hear this—that the Conservatives were going to create a pot of money to fund tax cuts. When his Back Benchers display their thirst for Thatcherite economics, my assumption has always been that they did not want to return to the household budgeting of the Roberts family between the wars, but desired something a little

more robust. Instead, we have the worst savings scheme in history—a pot of money tied up for seven years with a 0 per cent. return in interest and requiring two Conservative election victories before people get their money back. That makes Northern Rock look like a model of realistic business practice!

Frank Dobson (Holborn and St. Pancras) (Lab): The hon. Gentleman really ought to give proper credit to the Tory party and put its long-term thinking on taxation in perspective. The Conservatives were, after all, the party that introduced income tax as a temporary measure.

Mr. Browne: I am grateful for that intervention, which brings me neatly on to my next point.

I have been trying to work out what the Conservative critique of the Budget really is. As far as I can work out, the Conservatives have two policies: the first is that taxes and spending are much too high under Labour; and the second is that taxes and spending will be identical under the Conservative party. We are left in a very strange position: we know that the Conservatives oppose every tax rise that the Chancellor announced last Wednesday, so they must have secret mystery alternative tax rises to make up the difference. We have not yet heard what secret taxes they propose to put in place instead, but we look forward to hearing about them later in our debate.

Mr. Bernard Jenkin (North Essex) (Con): Is it inconceivable that a future Conservative Government would follow policies, which have been followed in many other countries, to restrain public spending a bit and keep taxes lower, but bring in tax revenues that were actually higher? Tax rates would be lower, but revenues for the public services would be higher, reflecting higher economic growth as a consequence. Does the hon. Gentleman not recognise that the steep increases in public spending and taxation are beginning to suppress the rate of economic growth, so that tax revenues consistently come in below forecast, as they have over the past seven years?

Mr. Browne: There were so many "highers" and "lowers" in that contribution that I will call it the Bruce Forsyth doctrine. I shall recommend it to the hon. Gentleman's Front-Bench colleagues.

So far, I have come up with four Conservative suggestions on tax. Let us consider them, as they might inform the Chancellor's next Budget. The first was a supermarket car parking tax—a policy dreamt up by an adviser to the Conservative party whose chauffeur drives around the block while he is inside the supermarket not collecting any plastic bags. That proposal appears to have been dropped.

As far as I can work out, the second policy is that "normal people" should be allowed only one short-haul flight a year. I have not heard whether that was confirmed by the right hon. Member for Witney (Mr. Cameron) in connection with his recent holiday in South Africa, but no doubt those on the Conservative Front Bench will enlighten us on that subject.

The third policy of which I am aware—which ties in with the previous speech— is that the price of a pint of beer should be increased by 7p over and above the Budget proposals. It says something about the career of the right hon. Member for Chingford and Woodford Green (Mr. Duncan Smith) that that is considered his finest achievement in politics—to have put forward a policy that is universally unpopular in my constituency.

As for the final area, public spending, the Conservative health spokesman made the big announcement a couple of weeks ago that NHS expenditure would increase massively under the Conservative party. I was as intrigued by that proposal as many other right hon. and hon. Members must have been. I read the blog of the political editor of the *Daily Mail*, and under the headline "From Untouchable to Unmentionable", he described how the proposal had gone down in the ranks of the Conservative party:

> "I'm told that in the days following Mr Lansley's reckless assertion about health spending, Mr Osborne hit the roof and one Shad Cab heavyweight"—

that narrows the field, unless we include the hon. Member for Brentwood and Ongar (Mr. Pickles)—

> "even put Mr Lansley against a wall and pummelled him verbally into admitting his crime",

which was to envisage extra spending on the national health service. It is no wonder that *The Daily Telegraph*, the newspaper generally considered sympathetic to the Conservative party, ran the headline yesterday, "Tories mired in confusion over policy on tax cuts". No doubt we will have some clarification later.

To assist the hon. Member for Rutland and Melton (Alan Duncan), let me make one modest proposal for how he might reduce public spending to fund some of his reckless plans. In recent months, the Conservative party has been shedding Members of Parliament at an alarming rate. As I understand it, the hon. Member for Croydon, Central (Mr. Pelling), the hon. Member for Old Bexley and Sidcup (Derek Conway) and, just last week, the hon. Member for Castle Point (Bob Spink) have all left the Conservative ranks, which were already smaller than those that Michael Foot managed to achieve during his electoral triumph in 1983. I venture that there must be some substantial savings to be made from reviewing the Short money claimed by the remainder of the Conservative party. That could go into funding some of the exciting new proposals on which I have touched.

The truth is that the Budget took place against an extremely worrying economic backdrop. An explosion of consumer debt has been secured on the rising value of house prices. The bubble, if it has not burst, is certainly deflating rapidly. As the hon. Member for Rutland and Melton pointed out, the Government's growth forecasts have been revised downwards and public finances are struggling. In the next financial year, the Government will borrow £7 billion more than they envisaged only last year.

No one in my constituency or elsewhere recognises the rosy picture of the economy that the Government are painting. The measure of inflation, for example, is totally detached from reality. It is possible that the price of the iPod that the Prime Minister uses to listen to the Arctic Monkeys in the gym in the mornings has fallen in recent months, but pensioners in my constituency see rising fuel costs and soaring shopping bills, and their biggest outlay of all, the council tax bill—about which the Chancellor had nothing at all to say in his Budget statement—has virtually doubled

[Mr. Jeremy Browne]

since Labour came to power. Replacing the council tax could have been the great centrepiece of a Budget dedicated to a fairer and greener Britain, but there was no urgency and no big-picture analysis.

According to a United Nations report published at the weekend, glaciers are melting at an unprecedented rate. The signs are all around us, but the Chancellor fiddles while the world gets closer to burning. My party believes that we need a proper green tax switch with serious measures to combat pollution, but—and it is a crucial but—that every pound raised in environmental taxation should be returned, in the form of income tax cuts, to the people on low and middle incomes who are struggling the most in the current difficult economic circumstances. It is simply not good enough to give green taxes a bad name and a bad reputation by using them to introduce, through the back door, extra revenue-raising measures to plug black holes in the Treasury's own finances.

Stewart Hosie (Dundee, East) (SNP): Will the hon. Gentleman be supporting the £1.2 billion tax take resulting from changes in vehicle excise duty, which are clearly predicated on no behavioural change, given that the money is not to be returned to the hard-pressed taxpayer?

Mr. Browne: We have made our policies entirely clear. Let me be uncharacteristically boastful, and point out that the whole drive for differential vehicle excise duties was a Liberal Democrat policy. Like many of our good policies, it has found its way into the wider body politic and become more universally popular. We will continue to present popular policies for others to consider in the future.

We proposed that the council tax should be replaced by a fairer system. We could have had a Budget that painted a big picture of a fairer, greener, better Britain—a Budget that really went for the issue of climate change and global warming, took it seriously and understood the urgency of the system. The Budget could have replaced the council tax with a fairer system for our constituents, a system that reduced the basic rate of income tax further as a consequence of environmental taxation, but instead we are piling extra tax on the households that are feeling the squeeze most.

As for child poverty, on which the Government are asking to be judged, the biggest single announcement in the Budget statement told us that only a quarter of the money needed to meet the Government's own target had been found. Unless there is a dramatic change in next year's Budget, they will fail to meet that target.

I looked far and wide for a respected impartial figure who supported the Budget, and found only one. It is a sign of the smallness of politics, which I described earlier, that that commentator was the BBC's new Budget commentator, Jade Goody. Never let it be said that public service broadcasting is failing to make a unique contribution to our national life, for the insights of Jade Goody can be found on the BBC website. We know of her antipathy to Indians, but on this occasion she was the only respected economic observer to endorse the cowboys in Government. She said:

"I'm fed up with boozy Britain, so I'd like the Chancellor to increase taxes on cheap booze and clamp down on most people selling cheap alcohol to underage children".

That was her policy, which was as close as I could find to an endorsement of any of the proposals made by the Chancellor on Wednesday. It might have been a Budget for Goody, but it was not a good Budget. Where there should have been vision, there was a black hole. Where there should have been drive and direction, there was a soporific lack of ambition. It made one wonder why the Chancellor and the Prime Minister ever bothered to get elected to Parliament in the first place. It was a Budget from a Government who have run out of ideas, and will soon be run out of office.

5.15 pm

Mr. Alan Milburn (Darlington) (Lab): It is a great pleasure to follow the hon. Member for Taunton (Mr. Browne), who let himself down slightly at the end, but made what was a very good speech that indicated that the "Orange Book" tendency is alive and well and thriving inside the Liberal Democrats. I will leave it to his hon. Friends to judge whether that is a good or bad thing.

It is also a great pleasure to follow my right hon. Friend the Secretary of State for Business, Enterprise and Regulatory Reform, who today proved once again that he is what it says on the tin, so to speak—a champion for business and enterprise, not just inside the Government but in the wider world.

There are many things to welcome in the Budget, not least the extra help for pensioners and the further progress that the Government intend to make on tackling child poverty. Of course it is a truism that mid-term Budgets are never easy affairs. They have to contain difficult judgments without upsetting confidence either in markets or in politics. They have to show that the Government are sticking to a course without stealing the thunder of later, possibly pre-election, Budgets. They have to make the right long-term policy judgments and yet produce the necessary short-term corrections that the immediate circumstances demand.

On many of these grounds, my right hon. Friend the Chancellor got the balance about right and did so against the background of what all right hon. and hon. Members agree are perhaps the most difficult economic circumstances that we have faced in many years. That is a testimony to his calm approach and steady hand.

It is hard to be anything other than concerned about the current global economic situation and the turmoil in the global markets. As the recent turbulence demonstrates, it is all too easy for that concern to tip into panic. Fear in the markets will certainly not be helped if it is followed by pessimism in politics about the underlying state of the British economy. Of course the situation is serious, as we have seen during the last 24 hours, but I also believe that concern should not be allowed to crowd out confidence about what I believe at least to be the underlying resilience of the British economy.

It is true that worldwide inflation is rising and that growth is slowing. America may well already be in recession, a point acknowledged today by the US Treasury Secretary. For all of those who doubted that the credit crunch was going to be real some months

ago, it is perfectly obvious that it is both real and biting. Yet most commentators believe, as reflected in the Red Book forecasts, that although growth will slow this year in Britain, it will rise again next year. I thought that my right hon. Friend was right to point to the fact that in every single quarter of every single year since 1997—despite the turbulence that there has been in global markets at different points during those 10 years—Britain is the only G7 country that has been able to avoid negative growth in any single quarter.

The macro-economic policy framework that was put in place in 1997 has stood the test of time and I believe that the continuation of that approach is the best safeguard against global economic uncertainty. I speak about confidence for another reason. Confidence about the underlying state of the British economy is important for another reason. Unless we are confident about it, the danger is that there will be a disproportionate response to what are currently serious problems. The danger is over-reaction, which is why I thought that my right hon. Friend the Chancellor was right to resist the siren voices of those who are calling for, as the best response to global uncertainty, the return of economic protectionism.

When I look across the Atlantic at the United States, I think it is a tragedy that the ugly sound of economic protectionism has returned in that country above all others, which has been built on confidence about its place in the world and openness in its markets. Incidentally, protectionism has returned across the political spectrum—in both the Republican party and, sadly, the Democratic party.

In Europe, protectionism is as much a commodity of the right as of the left. It is striking that whereas Chancellor Merkel in Germany and President Sarkozy in France push full-steam ahead on other aspects of reform, when they speak about economic reform the message becomes somewhat blunted. For them, defence of the national economic interest comes first. That is why European Commission President Barroso was right when he said in a recent *Financial Times* interview that the two things to resist in the current climate are the return of both protectionism and over-the-top regulation.

Nobody doubts that the US sub-prime mortgage crisis, the Northern Rock collapse, the Société Générale scandal in France and the global credit crunch necessitate a re-examination of how financial institutions operate. A highly integrated global economy brings many benefits, but it brings big risks as well, as the current turmoil in the financial markets demonstrates. That is why we will need to hammer out a global agreement on ensuring greater transparency in the future. My right hon. Friend the Prime Minister was therefore right when he called yesterday for a re-examination of how global institutions, including the International Monetary Fund, operate, to ensure that global stability is maintained. In a world of global financial movements, more global co-operation is what is required, not less. That is why it is also right to resist the tide of anti-Americanism and the wave of Euroscepticism, both of which are all too prevalent in sections of our society.

Let me proffer one word of advice to the Conservative party. If it is serious about becoming a moderate, mainstream, outward-looking party, which is what it professes to want to be, instead of always standing against Europe, now is the time to embrace Europe, because a key lesson to be drawn from the events of the past few months is that no country is now able to stand alone. Nor should we seek to do so because, notwithstanding the self-evident risks, open markets and free trade are the best way to deliver results. The economies that have done best in recent times are those that have been most open. To see that, we need only compare the performances of Thailand and Burma or, even more graphically, North Korea and South Korea; we need only look at the experiences of the countries of Asia or Latin America, which by opening their markets—if not yet always their politics—have produced the biggest reduction in poverty that the world has ever seen.

It is not only developing nations that are benefiting from a more open and globalised economy. Notwithstanding the noise about protectionism and the threat of competition from India and China, over recent years the EU managed to increase its proportion of world exports, and over the past 10 years Europe has created some 18 million new jobs.

I am particularly proud that over the past decade the British Government have championed that pro-globalisation approach. The message has been that wealth creators can be sure of a warm welcome here. That message, and the framework of policy that lies beneath it, has helped the City of London become a world leader in financial services.

Tony Baldry: Does the right hon. Gentleman think that the £500 million that will be raised through the non-dom tax will help to send out a signal that the City of London will still be a magnet for those coming from overseas to do business here?

Mr. Milburn: I should say two things to the hon. Gentleman. First, that is a good question to put not only to Labour Members but to his Conservative Front-Bench colleagues—let us remember that the Conservative party also made a non-dom proposal. Secondly, as we seek to maintain economic prosperity and stability in the future, it is important that our policy formulation on not only regulation but taxation sends the message to global investors and institutions that Britain is open for business, rather than closed. Opposition and Government alike have a responsibility to ensure that that is not put at risk.

If I were being candid, I would say that it is perfectly obvious that during the past few months the relationship between the Government and the business community has been sorely tested. I hope that the Budget draws a line under those tensions and that our future policy programme will build on the key lesson that we have surely learnt over the past 10 years—that the economy thrives best when the Government focus primarily on helping to create wealth rather than penalise it.

Stewart Hosie: I agree with a great deal of what is being said, particularly the critique of protectionism, but we have an £87 billion deficit in our trade in goods. I want to avoid protectionism, but we need to help manufacturing and, therefore, the whole economy. Is it right for the Government to have taken so much from business in last year's Budget, the pre-Budget report and this Budget? Last year, the CBI was talking about £5 billion, and another couple of billion has been taken this year. Is that not the wrong thing to do at this time?

Mr. Milburn: Of course it is right that we help business. The hon. Gentleman was talking about manufacturing in particular, and I have no problem with that. The best way to help manufacturing is not artificially protecting it. We learnt a lot of lessons during the 1970s and 1980s, when Governments tended to develop a pretty poor record of picking winners, but people could be certain that losers developed a pretty consistent habit of picking Governments. We should bear that lesson in mind. Open markets and free trade are the best way of delivering results. Of course there are limits to the role of free markets and Governments have a responsibility to ensure that markets operate both efficiently and fairly, but equally, we must recognise that there is a limit to the role of Government and the centralised state.

The second area about which I wish briefly to speak is the Government's role in tackling poverty and inequality. For me and, I suspect, for all Labour Members, it is a matter of great pride that a Labour Government have presided over the biggest falls in child and pensioner poverty that this country has ever seen, but we must also be candid about the fact that, despite rises in living standards and falls in poverty, a big inequality gap still scars our country. The ossification of British society— the slowing down of social mobility—that set in over many decades will clearly take more than one decade to unfreeze. Unfreezing it means recognising, as Amartya Sen, the Nobel prize winner for economics has rightly put it, that families and communities can suffer not only economic disadvantage but cultural, social, housing and educational disadvantage.

The Budget's proposals to lift many more children out of poverty are welcome, but if we are not only to raise the glass ceiling but break through it, we must do more to empower individual citizens, especially the poorest, to exercise more choice and power in the way that better off people nowadays take for granted. Social mobility will not advance if we think that only wealth is unevenly distributed in our society. Power is also unevenly distributed. Equity demands empowerment. Never mind its succeeding economically, if Britain is to get moving again socially, people need more than just support from the tax and benefits system and they need more than just help getting a job, a house, training or child care. They need to enjoy far greater control and to have a bigger say in how they lead their lives. That is why I welcome what the Prime Minister calls

"a new politics that places power…in the hands of people themselves."

Although many of the Budget's measures are welcome, it could have done a lot more to make the notion of a state that empowers, not controls, the defining idea of the next phase of my party in government. For example, it could have allowed individual citizens, especially the poorest, to take control of their own budgets, not just in training, as the Red Book suggests, but in health, in old age and particularly in education. In those aspects of the public service where it is less easy for the individual to exercise direct control—most of us are hardly in a position to choose our own police officers, for example—the Budget could have set out how power could be relocated to local communities.

I would have liked to have seen the Budget be far more ambitious in seeking to make Britain more of an asset-owning democracy. We know that asset owning works. Those with assets tend to spend less time unemployed, and they enjoy better health and greater independence in their lives. Indeed, evidence from the US suggests that home owners are far more likely to engage in local politics and local neighbourhood organisations. As Larry Summers once famously said, "No one ever washed a rental car." Why? Because ownership encourages people to act responsibly and independently.

Spreading asset ownership is crucial to tackling inequality and speeding mobility. That is because the most substantial inequities in today's society are no longer between income groups but between those people who own shares or have a pension or own a home, and the people who rely purely on wages and benefits. That is why I welcome the Government's efforts to increase housing supply in general, and the Budget's proposals to make homes more affordable through new equity loan schemes in particular.

Of course Britain needs more social housing, of that there is no doubt. But given a choice, most people would prefer to buy rather than to rent. The US sub-prime mortgage problem should not be allowed to derail the ambitious Government plans to extend home ownership to far more people. More than 1.5 million social tenants aspire to own their own home, and it is progress that 95,000 households have been helped into home ownership through shared equity schemes, but far more needs to be done. With fewer people able to afford to buy outright, and more young people dependent on their parents for financial help to get on the housing ladder, further reforms are clearly needed.

Mr. David Winnick (Walsall, North) (Lab): Given a choice, most people want to buy their own home. We do—I doubt whether there is a single Member of Parliament who does not own their own home. But does my right hon. Friend accept that many people, certainly in my constituency, would struggle to get a mortgage—even in better circumstances—and therefore need to rent? Does he agree that we therefore need a substantial number of new social rented properties to be built?

Mr. Milburn: Of course we need more social housing, and the Chief Secretary, when she was Minister for Housing, will have argued strongly with the Treasury for more money for housing. Now she is in a position to put her wallet where her heart is, and I am sure that she will tell us later that she is going to do that.

Frank Dobson: Handbagged.

Mr. Milburn: As my right hon. Friend suggests, I will be at risk of being handbagged if I continue.

Many people want to fulfil their aspirations to own their home. The idea that they have to be able to pay 100 per cent. of the cost is unrealistic for many people, which is why we must have flexibility in how these shared ownership schemes work.

To put the issue in perspective, the Government spent £38,000 million on income-related social security benefits last year. Spending on tax credits amounted to an additional £17,000 million. Of course, that total of £55,000 million of expenditure makes a real difference to families struggling to make ends meet. But that sum dwarfs the £400 million that the Government spend on

helping people to buy their own home. I believe that it is time to shift the balance. It is not dependence that we should seek to foster, but independence. The welfare system would enjoy far greater popular support if people thought that that was what it was doing.

Social mobility cannot be bought through social security payments and an old-fashioned safety net welfare state system. It can happen only if people are helped on to the ladder of opportunity and independence. To secure a Britain that is genuinely socially mobile, we have to do more than tackle poverty. We have to unleash aspiration. That requires not less of a state—as Opposition right hon. and hon. Members believe all too often—but a state that is prepared to empower and not to control. If we do that and open our country to aspiration and effort by fundamentally changing the distribution of power in our society, I believe that the progress that we have been able to make in the past 10 years will be complemented by even more progress in the next 10.

5.35 pm

Mr. Kenneth Clarke (Rushcliffe) (Con): I refer hon. Members to my entry in the Register of Members' Interests in case they are not familiar with my business interests or wrongly believe that they will influence what I say.

It is a pleasure to take part in the Budget debate and to follow the right hon. Member for Darlington (Mr. Milburn), who has just given us a remarkable and interesting speech. He does not need to persuade me of the virtues of the free market and an open economy and of the evils of protectionism. I agree entirely about the importance of a sense of ownership to the stability of a society and I quite agree that we will not restore the social mobility that we require in this country simply by building up welfare payments and welfare safety nets.

The right hon. Gentleman did not need to address me; he was addressing a small selection of his Back Benchers. I hope that he will allow me to indulge myself, as a long-serving Member, by saying that I enjoyed the expressions on the faces of the right hon. Members for Holborn and St. Pancras (Frank Dobson) and for Oldham, West and Royton (Mr. Meacher), whom I remember as distinguished spokesmen of their party over many years. They would have regarded most of the sentiments in his speech as anathema; I suspect that, to a certain extent, they still do so. He might address more of those remarks to his colleagues.

To be fair, like his right hon. Friends, the right hon. Gentleman has chosen the luxury of the Back Benches and the freedom to discuss such subjects. He has recently been given to producing very interesting articles in the newspapers about the next election being up for grabs. He said that he believes that his party will not win that election unless it demonstrates some vision of what society wants. He then started to use words about supporting aspiration, which were entirely taken from the Conservative lexicon and were never those of the Labour party.

With the greatest of respect, the right hon. Gentleman has chosen the wrong debate. I assume that he wished to support a Budget that showed some vision of a society where people can be empowered to improve themselves, and that he wanted to hear, with a new Prime Minister, statements made by a new Chancellor that showed a grasp of the great issues facing this country. He cannot conceivably claim that we are discussing a Budget that does any such thing.

We all realise, as my hon. Friend the Member for Rutland and Melton (Alan Duncan) and the hon. Member for Taunton (Mr. Browne) said and as others will reflect, that this was a mini-Budget. It was absolutely devoid of vision and almost empty of any particular measures of any great consequence or significance. The Chancellor appeared to be the victim of events and not in control of any of them. I find that alarming.

Let me be fair to the Chancellor, as I belong to the trade union of Chancellors of the Exchequer. He did some good things; I am glad that he got out the old Gladstonian red box. His predecessor so hated any hint of tradition that I feared it had been lost. The Chancellor—unlike the Secretary of State for Business and whatever—takes scrupulous care when describing the evils of the past to talk about the problems of the early 1990s and has not slipped into that irritating habit of describing past problems as though the Government were in any way an inheritor of what they talk about when they go back to the 1980s and early 1990s.

I shall not even criticise the Chancellor for being boring, although he obviously was; I shall credit him for trying to minimise interest in the Budget that he was announcing, and to reduce the prominence of his own role in what is going on. Unfortunately, he does have a prominent role, and so far he has not responded to events.

In his Budget statement, the Chancellor repeated the word "stability" over and over again, with an almost soporific rhythm. The same word was repeated a fair number of times today by the Secretary of State, the name of whose Department I honestly cannot remember yet. It used to be called the Department of Trade and Industry, and no doubt it will be called that again one day.

Less than a week has passed since the Chancellor's speech about stability, but the economic environment in which business is trying to earn its living does not look very stable. Seismic events have taken place in the markets, and the future uncertainty is very difficult to read. The credit squeeze is becoming serious on both sides of the Atlantic, and it is clear that we are in the middle of a quite unprecedented financial crisis. Everyone agrees that there will be a marked slow-down in economic growth, but no one knows the extent to which the financial crisis will have a knock-on effect on the real economy. There will be a slow-down, but how many jobs will be lost and how many businesses will fail? Will the financial crisis even lead to the recession—that dreaded word—which, although not with us yet, is certainly on the horizon?

At times like these, the business community needs to have a reasonable level of confidence in the ability of the Administration, the Chancellor of the Exchequer, the Treasury and the Governor of the Bank of England to handle events. The Chancellor sounded remarkably complacent as he made his Budget statement. The one message that he wished to give was that the British economy was

"better placed than other economies to withstand"—[*Official Report*, 12 March 2008; Vol. 473, c. 285.]—

[Mr. Kenneth Clarke]

the global slow-down. He stated that with an air of complacent confidence, but the biggest question marks of all hang over the inheritance left by the Prime Minister to his successor as Chancellor, and over the Chancellor's ability to produce measures to deal with the problems that have arisen.

The events of the past day or two throw into stark contrast the reactions to events, and the decisions that have been taken, on either side of the Atlantic. There has been another bank failure, although I accept that the analogies between Bear Stearns and Northern Rock cannot be stretched too far. However, when the crisis finally came, the decision taken on the other side of the Atlantic was dramatic and rapid. Within a matter of hours—and certainly within a very few days—steps were taken for the US Government to intervene and reassure the many organisations that are creditors or counterparties to Bear Stearns. A private sector partner was found after only a couple of days and, with the business transferred into new private sector ownership, the risk to the American economy and taxpayer was minimised.

On this side of the Atlantic, we had the much smaller problem of Northern Rock. In contrast with what happened in the US, decisions were taken here that were followed by several months of indecision. Ultimately, a bank that the Chancellor had said that the Government did not wish to nationalise was taken into complete public ownership. That was followed by the preposterous statement that it would be business as usual while a strategy about where to go from here was devised.

I shall comment about Northern Rock only to the extent that it is relevant to the economic problems that we face, but it appears that the strategy for the bank's future will cost jobs in the north-east as the mortgage book is reduced. However, it was still possible to read in the newspapers—certainly at the weekend—that Government-owned and backed Northern Rock was offering the leading savings rates in the market to any depositor who wanted to buy the equivalent of gilts with no risk to capital value, and receiving a rather greater return, so we have some way to go.

In the Budget, the Chancellor produced nothing to add to any air of authority. He gave no indication that he thought that serious global problems might be about to have a serious impact on the UK, and he did nothing to regain the confidence of the business community that he was either the person to do anything about it or in a position to do so. It is not as though there were no warnings. The Chancellor has had an awful lot of bad luck since he took over—for which he has considerable sympathy from me. One bit of bad luck was taking over from the predecessor who is now his boss and who, certainly at the time of the pre-Budget report, gave every indication of not allowing the Chancellor to produce any scintilla of a measure of his own to deal with matters. Subsequently, the Chancellor hit a lot of serious economic problems, but they were not unforeseen.

As my hon. Friend the Member for Rutland and Melton said, the economic cycle was bound to come to an end and preparations for that should have been made long ago. The nature of the end of the cycle became clear a long time ago. To make sure that I would not be giving too many hostages to fortune, I looked back to what I said in the debate on the Prime Minister's last Budget. I found that I had been talking about the risks to the American economy because of what was already happening in the American housing market.

By the summer it was clear that the American housing market was in a state of collapse and the beginnings of the credit squeeze were coming. Throughout the autumn, it was obvious that the impact of the credit squeeze on the British economy was becoming pronounced and that slow-down was imminent, so it cannot be said that the Chancellor had no time to prepare a strategy and that there was no opportunity to give us a greater description of how he would help to ensure that the British economy would not be too badly affected by the inevitable consequences of what is now happening.

The content of the Budget was trite. The Chancellor followed the party line set out by his predecessor for the previous 10 years. Almost all the phrases, apart from the missing word "prudence", were taken from the standard lexicon of the previous Chancellor since he took office in 1997. I have been trying to work out how they arrived at that modest package of measures. It seems to me that above all else, the authors—who probably included the Chancellor, but more importantly, included the Prime Minister—were dominated by the absolute determination to try to show that they would still comply with the previous Chancellor's fiscal rules. My advice to the present Chancellor is to stop doing that.

Nobody left on God's earth still believes in the previous Chancellor's fiscal rules, apart from him and such loyal acolytes as he still has in the Treasury helping to produce such things. The rules are completely incredible. The movement of the date of the cycles has been utterly ridiculous. Not only has the calculation of the national debt always excluded Railtrack and significant parts of the private finance initiative, which were due to come on to the books this year but for an accounting change that has been mysteriously delayed for 12 months because it cannot yet be accomplished, but it now calmly leaves out Northern Rock. Of course, the Government always intended to leave out Northern Rock. About three weeks ago, I received an answer to a parliamentary question saying that Northern Rock was contingent debt so it would not have to be counted. Given the danger that the Government may have made the statisticians slightly more independent than they were a year or two ago, there has been a change, but the Government are still coolly ignoring the debt as though it will be only temporary. We all hope that it will be, but we do not yet know how much will be called in.

David T.C. Davies (Monmouth) (Con): I am grateful to my right hon. and learned Friend for giving an excellent and informative speech. Can he tell us whether the public sector pension deficits are included on the balance sheet?

Mr. Clarke: To be fair, they never have been, but my hon. Friend raises an extremely valuable point: if anybody is looking to the future of the national finances, as they should do, they will see that the extent of the unfunded, public sector pension obligations that will start to hit the next generation is extremely alarming. The Government's failure to get on with any

serious reform of public sector pensions will be paid for by future Governments of every colour—and by future taxpayers, but that is another matter. Things that should be in the rules have been left out, and keeping to the fiscal rules is a bit of an illusion.

It was obviously decided that this is no year to raise a lot of taxation, and I agree with that decision. Every Budget for some time now has raised taxation, as carefully and as stealthily as possible. If the rules were to be complied with properly, it would be necessary to raise billions of pounds in taxation—the Institute for Fiscal Studies suggested £8 billion—but it would have been most unwise to do so, given the extent of the economic slow-down that we will face. However, small or smallish amounts of taxation—a couple of billion of pounds-worth or so—have been raised to bring us just within the fiscal rules, taking us to just below 40 per cent. of gross domestic product, if the other forecasts are right. Again, that is a quite ridiculous guide to policy, and I do not think that it will work.

The Treasury's borrowing forecasts have been totally and utterly unreliable for years now. I see no reason for believing that the forecasts in this year's Red Book are any more likely to be achieved than those in the Red Books for several years past, or even than those in the Chancellor's first attempt at a pre-Budget report last year. We will have a sharp economic slow-down. The figures in the Red Book for the likely take from corporation tax and value added tax are almost incredible. The practice of producing, for our delectation, a set of tables showing yet again an unfortunate and unforeseen rise in public borrowing next year, followed by a happy recovery two or three years later, has lost all credibility. If that was the core of Budget policy making, as it seems to have been, it was not rising to the urgency of events; it was not even a very sensible way of tackling the problem of the public finances, which should always be the first duty of a Chancellor presenting a Budget.

So where have we turned to for taxation this year? As the hon. Member for Taunton said, we have largely turned to the tax revenue-raising measures that the previous Chancellor put in last year's Budget and postponed for a year. Aside from that, a very old-fashioned approach has been taken. Labour Chancellors used to be more reluctant to go for fags and booze, but they did so this year. They have also turned to large cars. The mood has changed. The British have always had a puritan spirit, and that spirit is alive and well in the British media and among the British public. Although the British indulge in sin on a considerable scale, they always feel that they should pay tax on it, which is why we have always raised a disproportionate amount of our revenues from excise duties of one kind or another; that has been a popular feature of the British fiscal system for 200 years.

One problem was clearly described by the hon. Member for Selby (Mr. Grogan): parts of the industries affected—the beer and pub industry—are not in a great state to raise much more revenue. However, to be fair to the Chancellor of the Exchequer, he did not pretend that the rises were to do with binge drinking and pleasing the *Daily Mail*, as I thought he would. I heard him give an interview, and he did say that the measures were intended to raise money. The problem with taxes on beer and alcohol is that they are somewhat regressive. They fall disproportionately on the households of the less well-off, when the proportion of total income is taken into account. That, coupled with last year's changes doing away with the lower rate of income tax, undoubtedly make it a slightly regressive Budget for the second year running. The taxes on large cars are not sufficient to change the behaviour of people who can afford to buy them, so it is really a rather unoriginal way of raising tax.

Of course, income is also raised through capital gains tax and the tax on non-doms. I do not have strong feelings about either of those. Capital gains tax should be made more simple. I am worried about having a capital gains tax rate that is below the marginal rate on income tax; I think that we will see many of our accountant friends back in the business of turning people's income into capital gains. That was the backbone of many people's practices 20 or 25 years ago.

I do not think that many non-doms will flee these shores, but I simply say that it is extremely unwise to consult on taxes. I do not understand why we have a pre-Budget report. We should have Budget purdah. I say: announce it on the day, and if the details are wrong, sort them out and correct them in the Finance Bill. I accidentally found myself in consultation on ending European duty-free travellers' allowances. I had to listen to accounts of the number of airports that would close, and the tens of thousands of airport workers' jobs that would be lost if I did not seek a derogation from the decision. I do not think that everybody will flee the City of London and go to live in boring islands overseas.

The capital gains tax change was unwisely made. It was wrong not only to break Budget purdah but to announce the measure in a pre-Budget speech that was really nothing more than a political extension of the exchanges in party conferences. It was wrong to announce, almost overnight, decisions on which no proper work had been done, and to do the work of getting the detail right—for retiring entrepreneurs and so on—in public, faced with a tremendous clamour.

To conclude, what the Budget lacked was any notion of how the Government would face impending economic problems if the situation worsened. The Chancellor looks like a rabbit transfixed by the headlights. He is a boy standing on the burning deck and whistling inconsequentially the old tunes of his predecessor. There are many similarities between the British and American economies: we have had a housing boom; financial services are a large part of our market; and there is a credit squeeze here. This is no time to raise the tax on small businesses. We will have inflation and public debt as problems next year for sure; I hope that we have no worse.

5.57 pm

Mr. Tom Clarke (Coatbridge, Chryston and Bellshill) (Lab): It seems to be a feature of our post-Budget debates that it is my lot to be called after my namesake, the right hon. and learned Member for Rushcliffe (Mr. Clarke), and I welcome the opportunity to speak after him today. We have our name in common, and perhaps one or two other things, too. I shall, if I may, confide in the House—if the right hon. and learned Gentleman objects I shall stop straight away—that occasionally we receive each other's mail. Not long ago I read a postcard that said, "Mr. Clarke, I will never vote for you again. You are a disgrace to the Tory party.

[Mr. Tom Clarke]

You have betrayed us on the Common Market and on so many other issues." I took that as a compliment, not just to me but to the right hon. and learned Gentleman.

Perhaps I am being too kind to the right hon. and learned Gentleman today, but if I may say so, his post-Budget speeches are improving. I have been in the House long enough to remember his speeches as Chancellor, when he stood at the Dispatch Box, doing an impression of a poor man's Brian Rix, pulling up his trousers and checking his braces to make sure that they were still in place. More than that, I remember some of the policies with which he identified himself and those that he supported. I pay tribute to him as a former Chancellor for the improvement in his speeches. He did not go so far today as he has on previous occasions, predicting the "we're all doomed" scenario that we have heard so often. He has not quite reached, if I may say so seriously, the standing of Nigel Lawson who, to his credit, when pressed by others, particularly on "Newsnight", to help talk us into a recession and even worse, has resisted that temptation. The threat of recession is one of the issues that we must address in the Budget.

In last week's response to the Budget from the Leader of the Opposition we barely heard reference to the problems that we see occurring across the pond. Are we to believe that since the days when the right hon. and learned Member for Rushcliffe was Chancellor, right up to this week, no Chancellor of the Exchequer has had to take on board the challenge of globalisation and, particularly in the past week, the backdrop of turbulence, credit crunch and so on, and pretend that those factors do not exist?

I spent a great deal of time with my constituents at the weekend, and they are fully aware that times are difficult in the international context. They saw the Budget as well balanced and one that addressed the problems that we face in the United Kingdom, against the international backdrop that I mentioned. Yes, the Budget speech mentioned stability. Oddly enough, stability is important to people in my constituency, where employment matters, where we recall unemployment at 3 million, where we recall negative equity, and where we remember very high interest rates, not only on Black Wednesday but for many years around that time.

I asked people whether they preferred the economic policies being pursued by the Government—the low unemployment, the low interest rates, the low inflation and the rest—and despite criticisms that they might have, which I hope to reflect in my speech, about some elements of the Budget, I know the choice that my constituents will continue to make.

The Budget rightly focused on hard-working families and children living below the poverty line. The priorities were correct. I have some reservations, as I said, but I am a realist and I acknowledge the grim realities of the global economic slowdown signalled by the sub-prime mortgage crisis on the other side of the Atlantic. I hope, like my colleagues, to be constructive in the debate.

Rather late on Friday evening I was invited by BBC Scotland to take part in an early morning programme. Given the lateness of the hour, it was not possible, but I listened carefully when the programme was broadcast. Apparently, somewhere in the long documents that are produced as part of the Budget presentation, there was a reference to the fact that people with learning disabilities are obliged to fill in great long forms in order to find jobs. As co-chair of the all-party group on learning disabilities, I know that 65 per cent. of people with learning disabilities have made it clear that they want to work. If there are impediments to those people finding and keeping jobs, I am sure the Government, and especially the Department for Work and Pensions, will employ the sensitivity that that situation invites. Advocacy, which I have long supported in the House, especially when I was fortunate enough to get an Act of Parliament on the statute books, might apply in that situation and in others, as the Government rightly pursue their policy of making employment opportunities available to the great majority of our people, including those who experience disability.

There were many good points in the Budget. First, the high-profile restatement of the ambitious targets concerning child poverty will help galvanise the cause. The increase in child tax credit and the substantial increase in first-child benefit will help us towards the target and will help many of my constituents. Secondly, the plan to take more pensioners out of income tax, alongside the rise in pensioners' minimum income to £124, is welcomed by many. I am delighted to deliver that and other good news to my constituents in Coatbridge, Chryston and Bellshill. I would welcome Opposition Members joining me in that task.

Mr. Prisk: The right hon. Gentleman has a strong record of helping the more vulnerable in society. Does he therefore share my concern that the net effect of the tax changes that the Government are planning is that those just over the £5,000 personal allowance see a marginal tax rate of 60 to 70 per cent.? Surely his Government should do better than that.

Mr. Clarke: The hon. Gentleman makes his point well. I hope that if he serves on the Committee considering the Finance Bill, or if he gets the opportunity to express that view on the Floor of the House, he will do so. I hope we can discuss his comments rationally.

In an excellent speech, my hon. Friend the Member for Selby (Mr. Grogan) made an important point about the Budget's influence on an issue that is raised again and again in my constituency—antisocial behaviour. Some people might think that that is an odd thing to relate to a Budget speech, but my constituents identify the availability of cheap alcohol as a direct cause of many of the problems that they face day in, day out.

On Saturday, during the annual St. Patrick's day celebration that we have in my town, Coatbridge—a great cultural event—I met many people and discussed antisocial behaviour, which is not all that amusing in my constituency. I was accompanied by Superintendent Henry Campbell, who does an excellent job, and a man called Jackie Charlton, who is probably well known in all parts of the House and who graced us with his presence. We met many people who raised the issue of antisocial behaviour and alcohol misuse.

Alcohol misuse is estimated to cost £7.3 billion in crime and antisocial behaviour. We know that about 17 million working days are lost each year through alcohol-related absence from work. I welcome the fact that the Chancellor recognised that and, as I said, I

found constituents who thought the same way. I am beginning to think that Budgets are a little like football matches. We see a match, then read a report of it in the newspaper, and it is not quite what we thought we had experienced.

From an industrial constituency like mine that is suffering the effects of antisocial behaviour, I warmly welcome what the Chancellor has done, together with the measures taken by the Scottish Executive, in fairness both to the present Executive and the previous one, as well as the alcohol harm reduction strategy for England. Those measures are having some success and progress is being made.

I am sorry that the hon. Member for Argyll and Bute (Mr. Reid) is not in his place at the moment. I welcome the increases—which, frankly, I thought rather modest—in duty on alcohol, including spirits. The scotch whisky industry has not done too badly of late. Spirits make up many of the ingredients of the flavoured drinks that appeal to young people and cause mayhem. If we are to address the problem of spirits, we cannot ignore the fact that whisky is one of them. Not only were the rises right, but the revenues are being fed back into fighting poverty. We Labour Members welcome that aspect of the Budget; we recognise that the issue remains a challenge.

As for my personal reservations about the Budget, I cannot recall any Budget about which I did not have some. Again, my hon. Friend the Member for Selby raised points that I want to make. I welcome the increase in fuel allowance. It is right that people—especially the elderly—should have the benefit of that increase, given that energy prices are so high. However, I do not want our welfare policies to subsidise the big profits of energy companies, and that prospect remains a big worry for me.

I welcome what the Chancellor did on prepayment meters and social tariffs—the increase from £50 million to £150 million. However, although some companies said that they were practising a social tariffs policy, people thinking that they really meant it were cheated. We need to consider such matters much more carefully. In other words, I want to say to the Chancellor and our colleagues on the Front Bench that given the problems of energy companies and the policies that they are pursuing, and given the role of Ofgem, we have to have a much more robust approach. In January, we will again have price rises, followed by massive profits in April. There will be another bonanza for shareholders and executives, but another winter of discontent for the less fortunate.

Spring is now on the way; heaters will soon be turned down and sweaters will start to come off. However, before long we will face the same problem again. Incidentally, I would have encouraged the Chancellor to extend the provisions on the fuel allowance to families with disabled children and perhaps, in time, to other families with people who endure acute disabilities. Before we know it, it will be winter 2009, when winter fuel payments will be rolled back to the pre-Budge rate. I recognise that the commitment this year is a one-off, but I hope that each year the fuel allowance will be reviewed and a realistic payment will be delivered to those who very much deserve it.

I want a strategy for true social tariffs to come from the energy companies, Ofgem and the Government Departments that are responsible for energy issues and assessing the costs for people, especially the elderly, as they try to decide between heating and eating. The role of energy regulators needs to be reviewed. My hon. Friend the Member for Selby made a compelling case in saying that such matters should go before the Competition Commission; I certainly support that view. It is time that we made switching suppliers meaningful and not just a slogan. Let the companies that do not participate in a real sense be named and shamed and let the needs of our people, who have done so much—particularly in constituencies such as mine—to help us build our economy towards the stability that we now enjoy, be recognised.

The right hon. and learned Member for Rushcliffe seemed to mock the word "stability", but I find it very welcome. On Sunday morning, I saw the Leader of the Opposition being interviewed in the north-east on the Andrew Marr programme; he did not feel that the use of that word was unacceptable. What I want is meaningful stability, not just slogans. We hear grim talk about the old fabled man in the street, and platitudes about Government competence being not about how they perform when things are going well, but how well prepared they are to cope when things get tough. That opinion was bandied about almost immediately after the Chancellor sat down.

I believe that we have built up our economy and seized the opportunities in Europe and the rest of the world. Some have mentioned India and China. There has, of course, been considerable growth in both those countries, but we still must maintain the approach that I am happy to say I have witnessed from the Dispatch Box: one that means that we do not have extreme wealth on the one hand and huge poverty on the other. The proposals in the Budget to continue with an excellent record on international development and overseas aid fit comfortably with the challenge of tackling poverty—a challenge taken up by those on the Labour Benches and one of the reasons why I joined the Labour party at a youthful age and continue to support it with great pride.

I conclude on this note. Employment, inflation, interest rates, public investment, making sure that we do our utmost for equality of opportunity in education, the health service and even culture and the creative industries—such things remain a priority today. It is right that at this stage of the millennium our Government should address themselves to such issues. In presenting his Budget, the Chancellor had every reason to feel proud. Although my constituents accept that we have much more progress to make, and will remind me that that is what they want, they recognise fairness when they see it—and this Budget was, above all, a fair one.

6.18 pm

Mr. Edward Leigh (Gainsborough) (Con): It is always a pleasure to follow the right hon. Member for Coatbridge, Chryston and Bellshill (Mr. Clarke), who always addresses the House in a measured way on behalf of the least advantaged in society. What he says is, of course, true: credit squeezes are not new. It is also true that lady luck has not smiled on this Chancellor since the previous incumbent moved next door. We all know that.

[Mr. Edward Leigh]

The Chancellor has now presented himself as the steadfast helmsman steering us through the global economic storm, but I contend that in some key respects the Government's own navigation has contributed to the gathering gloom. To continue the nautical analogy, the squalls were apparent long before they hit us, as my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) said, and perhaps the Government were tardy in reefing their mainsail in time.

The Chancellor said that his Budget is responsible and that it matches increased spending with vital reforms. We all share that concern for reform and I welcome the examples of change that I have seen in my role as Chairman of the Public Accounts Committee. I always try to give credit where it is due. However, I have also witnessed too many examples of waste and inefficiency to share the Chancellor's supreme confidence in the certainty of savings that he promised us. I want to make that the gravamen of my contribution, which, I hope, will not be too long.

Spending on health has doubled and there are many more doctors and nurses, as we were reminded, but hon. Members will perhaps not be surprised to learn that the statistics in the Budget speech do not reveal the full picture. There was no acknowledgement that productivity in the health service has fallen in recent years. Hon. Members might not trust me implicitly on statistics, but, on this occasion, they can also rely on the Office for National Statistics. Its latest completed figures show an average 2 per cent. decrease in NHS productivity between 2001 and 2005, which is worrying.

Let me be clear: those who work in the NHS deserve to be paid a decent wage. We know that our lives and those of our constituents depend on them. They are not to blame for the inconsistency in outcomes. After all, the worst work on their behalf is often done with the best of intentions. For example, our Committee will shortly take evidence on the recent National Audit Office report on the new GP contract. There is the small matter that it cost £1.76 billion more than the Government expected, and that a 2.5 per cent. decrease in primary care productivity accompanied the first two years of the contract. Of course, the Government had predicated the entire reform on a productivity rise. The contract for NHS consultants was a similar story, and the predicted productivity rises have yet to happen. The cost of out-of-hours care was, again, higher than forecast, and delivery struggled to fulfil expectations. That is constantly repeated in public service delivery.

Tony Baldry: Is not the lack of accountability a genuine concern? By the time problems come to light, as with the chaos about the Bicester asylum centre, Ministers and permanent secretaries have moved on, so that when people appear before the Public Accounts Committee they can claim, "Not me, guv, it was the previous lot", and no one is accountable for the wastage.

Mr. Leigh: I agree and I want to suggest a modest reform in our procedures that might tackle the problem that my hon. Friend identifies. We have the best system in the world of post facto audit but one of the least effective Budget scrutiny systems. I shall deal with that in a little more detail before I sit down.

I do not take issue with the rosy portrait of reform that the Budget statement presented for the sake of blind opposition. There is no point in that. We all believe in reform and I welcome, for example, the proposal that long-term recipients of incapacity benefit should attend assessments of their fitness to work. That is good, but hon. Members listening to the Chancellor would be forgiven for thinking that his £30 billion of savings a year are already in the bank. They are not. We have prepared numerous reports on the existing efficiency programme. The record on reform to date shows that savings are easy to predict but harder to achieve in practice. My hon. Friend the Member for Runnymede and Weybridge (Mr. Hammond), the shadow Chief Secretary, knows that well as he prepares for government.

There are many wise men and women in the House today, but another, John Locke, wrote that

"an unerring mark of the love of truth is not entertaining any proposition with greater assurance than the proofs it is built upon will warrant".

To put it another way, experience tells us that the Budget is counting on chickens with a poor record of hatching. As a giver of candid advice, I therefore say to those on the Treasury Bench, as many of us have many times, that public faith in public services will not withstand public failures to deliver genuine reform, which is what we need and want.

The price of failure to deliver productivity gains and efficiency savings will be paid in higher taxes and higher borrowing. That price is paid by us all, but, as I said in last year's debate, the burden is felt most by those who can least afford to bear it—the poorest and most vulnerable members of society.

As hon. Members know, I believe that there is a strong moral case for lower taxation, especially for those least able to pay. Some hon. Members agree and others have yet to see the light. However, I believe that few hon. Members would dissent from the equally strong moral case for removing inefficiency and waste from public services. That is the case that we fought to further in our Committee.

To give them credit, those on the Treasury Bench accept more than 90 per cent. of our recommendations, and hundreds of millions of pounds are consequently saved. That is an example of what parliamentarians can achieve when we work together, especially when we are supported by the National Audit Office. However, our scrutiny of public spending happens only after the event, to revert to the point that my hon. Friend the Member for Banbury (Tony Baldry) made. We can encourage those who come next to imitate the good and avoid the bad, but we cannot head the problem off at the pass. That is true of many issues.

Today, the non-doms issue was mentioned. Evidence on that is mixed. I have heard anecdotal evidence to suggest that many middle-income earners are leaving the country. I welcome the concessions in the Budget statement, but, in a sense, I disagree with my right hon. and learned Friend the Member for Rushcliffe, who speaks with all the authority of a former Chancellor, because I believe that pre-Budget scrutiny would help resolve such issues.

We have debated the taxation of family cars. The public are only just waking up to the fact that their small family cars, not the large gas guzzlers, will be taxed. There was insufficient debate about the cost of the Iraq war and the Afghanistan operation. There is nothing more boring than listening to people saying, "I told you so", and my right hon. and learned Friend and I voted against the war. However, it has cost the Government £5 billion and it has cost the US Government $3 trillion. Another £2 billion is set aside for what will happen in Afghanistan and Iraq. All such issues need to be debated more often and in more detail in the House as the Budget goes through.

Let us consider what happens in Congress in the US. I believe that opportunities to unleash the collective wisdom of the House are far too limited compared with what happens in Congress, where the President proposes, but Congress disposes. There are literally hundreds of hours of line-by-line debate on the Budget. What emerges from Congress is different from the President's proposals. Our powers in the House are far too limited. It is true that we have the Budget debate and three days of debate on the Supply estimates. However, the Budget confirms spending plans that are set out in the comprehensive spending review, of which there is almost no systematic scrutiny. The estimates are debated only after the beginning of the year in which the spending takes place. There is therefore little opportunity to influence the Government, even if they are listening.

Hon. Members who serve on departmental Select Committees will also recognise the difficulties because they have so much more to do on policy issues. They have difficulty in consistently devoting sufficient time to spending proposals—indeed, they hardly consider them. Parliament was created hundreds of years ago primarily as a financial watchdog on the Government. It sat mainly during the whole Budget process. That power has atrophied and there is a huge scrutiny gap.

Let me suggest a modest solution. I believe that the House should establish a Select Committee on the Budget, with the normal powers of Select Committees—I ask for no more—but with the specific purpose of considering the Government's spending plans. To allow the good sense and good faith of Members to have the greatest influence, hearings should be held well before plans take on the formal force of estimates. After all, voting against the supply of funds is tantamount to bringing down the Government. I do not suggest that; there is no nuclear option here. We need far less than that. My proposal would not shake the foundations of the constitution, nor would it significantly inconvenience the Executive. The Government would need to produce spending reviews by the summer recess—a feat achieved in 2002 and 2004, and missed last year only because of the then Prime Minister's extended goodbye. Annual updates would not be difficult to provide. The NAO would be willing—I know, because I have asked—to assist the House by analysing the information and providing a commentary for the Committee to consider at hearings each autumn.

I hope that the Liaison Committee will shortly have the opportunity to consider my proposal. I hope that the Government's attitude will be welcoming. Two years ago, in the regular debate on the work of the Public Accounts Committee, which assimilates events that, sadly, too few hon. Members turn up for—I encourage them to do so—the then Financial Secretary to the Treasury, the hon. Member for Wentworth (John Healey), recognised that the scrutiny of public spending is fundamental to our democracy. He also said that

"we need to introduce a more systematic and challenging parliamentary scrutiny of spending plans."—*[Official Report,* 18 July 2006; Vol. 449, c. 289.*]*

I hope that the commitment given by the Treasury then to work with Parliament holds good today. Indeed, I know that it does, because the Treasury is doing a lot of useful work.

Establishing a Budget Select Committee would reinforce the rights and privileges of this elected House. It would also reflect the truth in the words of Benjamin Disraeli, that

"all power is a trust; that we are accountable for its exercise; that from the people, and for the people, all springs".

Establishing such a Committee might even help the Chancellor in his quest for those savings from the public purse on which the success of the Budget so obviously depends.

6.31 pm

Frank Dobson (Holborn and St. Pancras) (Lab): I can safely say that I have considerable sympathy for the points that the hon. Member for Gainsborough (Mr. Leigh) made about the need for the House to reassert control over the raising and spending of tax. However, his was a somewhat unique contribution from the Conservative Benches. To listen to the criticisms that have been made of the Budget one would not realise that under this Government, with the stability that they have managed to achieve, we are close to almost any definition of full employment, and that we have the highest levels of employment ever, the highest ever living standards and record numbers of pensioners and children raised out of poverty, partly through the national minimum wage, which both opposition parties opposed, and tax credits.

I am always a bit reluctant to accept homilies from those on the Tory Benches about putting money by for a rainy day. After all, the previous Tory Government took in £70 billion in capital takings from privatisation over 18 years, treating that money as revenue, which would be regarded as dodgy by even the slackest accountants in the private sector.

I was struck by some of the earlier references to wealth creation. The definition of "wealth creators" that a lot of people use is a little narrow. A report was published yesterday outlining the cost to business in this country of sickness, which was estimated at about £100 billion a year. The people who reduce that level of sickness contribute hugely to wealth creation. Were those in the national health service not doing their job, a lot of the wealth being created could not be created.

Let me give just one example. Sir Harold Ridley, who died just after the millennium, having received what might be described as a belated knighthood in the millennium honours list, invented the artificial lens that has made cataract operations possible. I do not think that anybody in the City of London has ever made as big a contribution to wealth creation in this country as Sir Harold Ridley did.

My right hon. Friend the Secretary of State is responsible for regulatory reform, which I want to address. When people talk about regulatory reform,

[Frank Dobson]

they normally want to reduce regulation, but I believe that we need massive regulatory reform of the banking system, which includes introducing tougher and more effective regulation, both nationally and internationally. The Government are trying to hang on to the stability that has made the improvements over the past decade possible, but that is being severely undermined by the current earthquake in international banking.

It is no good the Tories trying to blame the Government for the current earthquake in international banking. The international banking crisis has been created almost entirely—certainly 99 per cent.—by the people who operate the international banking system. The trouble with the bankers, and their useless auditors and even more useless risk assessors, is that the mess that they have created will affect everybody. In all probability it will affect people's mortgages, and it may affect their pensions, savings and jobs. I know that Conservative Members smile whenever I attack the banking industry, but I believe that most people in this country are disgusted by what has happened. All the achievements of the stability that the Government seek are at risk because of the banking crisis—a crisis brought on by the practice of the banks.

It was not long ago that bankers had an image of being a rather careful lot of people. They were careful with their own money and with our money—"prudent" or "conservative" were not the words for it. however, that has not been the case in recent times. A substantial number of people now involved in international banking have behaved more like a collection of wide boys, trying to con the others, who were idiots, but they have not been playing with their own money; they have been playing with other people's money and jobs. Those bankers have not been wealth creators; they have been wealth manipulators. As they were not risking their own money, their main objective was to maximise their bonuses and then leg it as quickly as possible, with little regard for anyone else.

That does not apply to everybody in international banking or everybody in the City. However, virtually all of them have become dedicated followers of fashion. They say, "Well, we've heard that A, B and C are on to a good thing, so we can't possibly not get on to that good thing ourselves." That is how so much of the British banking system joined the United States in being exposed to the famous sub-prime mortgage market, although the situation is not so bad here. It is usually said that the amount of money made available for mortgages in this country has increased to meet the increased cost of houses. However, I believe that the process has generally been the reverse—that prices have risen to meet the amount of money that the financial system has been willing to lend.

Again, it was not so long ago that building societies would lend people only 2.7 to three times their annual salaries. Lo and behold, most house prices were set at around 2.7 to three times people's annual salaries. However, then the fashionable lot took over in the financial services industries and offered people mortgages that were four, five and, extraordinarily, even six times their annual salary, with no deposit—and, knowingly, mortgages that were higher than the value of the property to be purchased. What has been the result? Prices have risen in line with the availability of the mortgages.

Mr. Angus MacNeil (Na h-Eileanan an Iar) (SNP): While all those events were happening, the present Prime Minister—the former Chancellor—sat idly by. Does the right hon. Gentleman agree that he should take some responsibility?

Frank Dobson: I certainly think that the regulatory authorities have some responsibility. Above all, however, it has to be the responsibility of the practitioners—or, in this case, what might be described as the malpractitioners. They were seeking to maximise the amount of money that flowed across their desks because they always got a percentage of that money. If the price of a house went up, say, from £100,000 to £150,000, they would get at least a 50 per cent. increase in their rake-off. I believe that we need further constraints and a much more powerful Financial Services Authority in order to constrain such practices.

Mr. Jeremy Browne: Will the right hon. Gentleman give way?

Frank Dobson: No, let me go on.

It is not only in the housing sphere that the financial services industry has developed a greater influence. For example, when people buy a washing machine or deal with a water company, it is a novel experience if their letterbox is not overwhelmed with brochures for insurance for their washing machine or insurance policies against the possibility of leaks developing. It gradually becomes clear to anyone with a grain of sense that these companies make more money out of the insurance than out of the washing machine, and that they make more money by insuring people against a risk that is unlikely to happen than by selling people water. Everything seems to be shifting towards financial services in that way.

Then we come to the dreaded US sub-prime mortgages and collateralised debt obligations, which were offering something for nothing. I understand that the Financial Services Authority said recently that the public needed financial education and that schools should be doing more to provide such education for young people. Above all, it said that we needed to get across the message that we cannot get something for nothing. Well, all I can say to the Financial Services Authority is, "Why don't you go and tell that to the bankers who got involved in the sub-prime mortgage scandal?" We have a worldwide system based on people trying to get something for nothing, promoting extravagant borrowing by hedge funds and private equity, and promoting a system of general speculation.

One of the most hopeful developments recently was the news that the International Energy Agency is going to look into the effect that these borrowing-financed speculators have on the world price of oil. It is not old-fashioned, old-Labour me who is saying that the speculators have been driving up the price of oil; it is Governments around the world, the International Energy Agency and the United Nations. It would

appear that the speculators, not content with their ruinous lending policies, are now driving up the price of fuel.

Mr. MacNeil: Will the right hon. Gentleman give way?

Frank Dobson: I would rather get on, so that other people can get in.

If we are to avoid banking crises in the future, I do not believe that we can leave national or international regulation in their present enfeebled state. I do not believe that the banks can be left to their own decisions. These are the people who appear on television and on the radio and who are lauded on the business pages of newspapers. "Oh, he's the chap from Merrill Lynch. We'd better listen to him." Yet Merrill Lynch lost $22 billion on sub-prime mortgages. Or it might be someone from that great Swiss institution UBS, which lost $18.7 billion. I was also struck by the fact that, at least according to the latest list, Bear Stearns has lost $2.6 billion on sub-prime mortgages, yet its rescuer, JPMorgan Chase, has lost $2.9 billion on sub-prime mortgages. So the great heroic firm that bailed out Bear Stearns has actually lost more money than the bank it was bailing out. My submission is that we simply cannot leave these matters to people with such a dreadful record of ruining the economy.

Mr. MacNeil: Will the right hon. Gentleman give way?

Frank Dobson: No, I need to get on.

Then we come to the people who have been doing the risk assessment. Standard & Poor's was asked by some of these people in the financial services industry to advise them on the packaging of their products. Then—surprise, surprise—it gave a treble-A rating to the products on which it had given advice. And what about the auditors? Did they not spot anything? Did they not see that risks were being taken? The large firms of auditors claim to be multinational, so one might assume that such firms in the United States and Britain would have learned from what was happening in other countries. Might not the companies with offices in Barcelona and Madrid as well as in New York and London have spotted the fact that under the Spanish banking system people were not allowed to get involved in sub-prime mortgages, because that was against the law in Spain? Did it not occur to them that there might be some merit in the Spanish law, and that it might offer some protection? Did they not realise, in other words, that the Spanish might be on to something?

Mr. Jeremy Browne *rose—*

Frank Dobson: I will not give way.

Mr. Browne: Go on, you've got lots of time.

Frank Dobson: Oh, all right, I will give way.

Mr. Browne: I am grateful to the right hon. Gentleman. It is a constant source of wonder that Tony Blair found space for him in his Cabinet. I actually share some of his concerns about some of the practices in the banking sector, but I believe that his explanation for why house prices rose so dramatically is far too narrow. Were there not other factors involved, such as an increase in marital break-ups, people living longer, and rising population numbers? Another important reason is that more households have two incomes. All those factors contribute to driving up house prices. It is not just to do with malpractice in the banking sector, as the right hon. Gentleman suggests.

Frank Dobson: I do not think I said that the situation was caused exclusively by the stupidity of the banks' lending policies, but I believe that that has made a major contribution. I do not think that anyone could demonstrate that the increased amount of money available for mortgages rose to meet house prices, rather than house prices rising because of the increased availability of money for mortgages.

Perhaps I am very old Labour—I sometimes describe myself as heritage Labour; I am thinking of putting in a bid to the Heritage Lottery Fund to restore my façade at public expense—but I must emphasise that the people of this country will not tolerate this House failing to recognise the fact that these horrors are being visited upon us as a result of the stupidity, ignorance and greed of a large number of people in the financial services industry. That is why we need to reform the regulations, and to insist that all the international bodies of which we are a member do the same, so that the stupidities of the banking industry are not visited on ordinary decent people all over the world.

6.50 pm

Tony Baldry (Banbury) (Con): It is always a joy to follow the right hon. Member for Holborn and St. Pancras (Frank Dobson)—a self-proclaimed member of heritage Labour. When he actually said that bankers could not be left to their own decisions, he wonderfully took us back to good old clause 4 old Labour, with public ownership of the means of production, distribution and exchange—the authentic voice of old Labour. Little wonder that when the right hon. Gentleman stood as the candidate for Mayor of London, he did not find much support in or among Londoners.

The right hon. Member for Coatbridge, Chryston and Bellshill (Mr. Clarke), who is no longer in his place, said that this was a Budget for hard-working families. He was absolutely right, but it is a Budget to hammer hard-working families. It is a bad-news Budget that adds £110 a year to the tax bill of every family; and the tax take will be £2.8 billion a year higher by 2010. It is a Budget for kicking families when they are down because new taxes announced for the next three years will put an extra £1.5 billion on all alcoholic drinks, hitting 43 million people; £1.6 billion extra on drivers, even with the delayed fuel tax rise; and £1.7 billion extra on businesses.

The background to the Budget is that during the years of plenty, the Government, whose economic management was then in the charge of the man who is currently Prime Minister, squandered the national riches rather than put them aside for the years of difficulty. Sadly, the poorest people are about to be

[Tony Baldry]

stung by the Prime Minister's swan-song as Chancellor—the abolition of the 10 per cent. tax band.

There is, of course, growing uncertainty around the globe, and we have no protection here for a rainy day, let alone for the global economic storms that seem to be blowing across the Atlantic. Inflation is rising because the previous Chancellor chose for so long to debauch the currency by expanding the money supply at an unhealthy rate, and the present Chancellor admits to a rise in borrowing to the ugly level of £43 billion next year.

Mr. MacNeil: Does the hon. Gentleman recall that the present Prime Minister and former Chancellor was the man who said that he would put an end to boom and bust? Does he agree that those words seem very hollow at the present time?

Tony Baldry: The hon. Gentleman makes a very good point, but there are a number of phrases that the Prime Minister was wont to use on many occasions—"boom and bust" is one that no longer appears from his lips, as even he can see the irony of it—that no longer apply. I am not quite sure what has happened to Prudence. I am very concerned about Prudence, but she seems to have been debauched. She has disappeared and we now hear nothing more about her. She has gone and the new girl on the block is Stability. That is what we are in love with nowadays and I suspect that the irony of praying to the mantra of "stability" will be so evident in a few months' time that even the Prime Minister will not allow the word to cross his lips.

Economists have warned that voters face the equivalent of up to 3p more on income tax after the next general election. An analysis of last Wednesday's Budget by the Institute for Fiscal Studies showed that spending would have to be slashed by billions if the Chancellor does not want to break his economic rules. The IFS has said that it could mean Ministers having to plan tax increases to avoid cutting back on schools and hospitals if they should perchance win the next general election, which I think is increasingly unlikely.

The IFS added to the gloom around the Budget in pointing out that middle-income households have been hammered by rises in tax for drinkers and family car owners. Robert Chote, director of the IFS, has said that details hidden in the Budget report reveal that the annual growth in spending will be cut to 1.8 per cent. in 2012-13, meaning a reduction in spending by around £8 billion by 2013—which would be equivalent to an income tax rise of 3p in the pound. That will be the result of the very substantial cut of £8 billion in public spending. No wonder that polls since the Budget reveal that fears about rising prices in food, fuel and taxes are people's biggest worries. Soaring gas and petrol prices, higher council tax and bigger supermarket bills were among the recurring themes of those who commented on *The Times* online response to the Budget, to which 2,500 people contributed. People expressed concerns about the rise in energy and fuel costs, coupled with ever-increasing food prices.

Not surprisingly, when YouGov did a survey, it found the following responses to various propositions: 86 per cent. of those surveyed agreed that their bills were rising faster than the Government said they were; 84 per cent. agreed that energy firms ripped them off and should have been hit with a windfall tax; 78 per cent. agreed that the Government wasted huge amounts of taxpayers' money—a point made very effectively by my hon. Friend the Member for Gainsborough (Mr. Leigh), the Chairman of the Public Accounts Committee, and reflected in the concerns of many of our constituents; 66 per cent. agreed that the Government spent too much in the good times, so they were raising taxes now; and 74 per cent. agreed that green taxes were just an excuse to raise more money. It has not escaped the attention of most people that the Chancellor is not offsetting the green taxes raised in one place with taxes elsewhere; he is simply taking the green taxes as additional taxation.

The main cause, I suspect, of the swing in the opinion polls to the Conservatives is the collapse of faith in the Prime Minister's and the Chancellor's stewardship of the economy. Just 21 per cent. of voters say that they would trust the Government more than the Opposition to raise their families' living standards; the Conservatives have a decisive lead on that issue. The overwhelming majority—83 per cent.—believe that the economy will either grow more slowly over the next 12 months or slide into recession. There is no question of people having to talk about this; the fact of the matter is that our constituents are genuinely concerned about what is happening to the UK economy. They find it rather depressing when all that the Prime Minister and the Chancellor can do is simply repeat the mantra of "stability" in the hope that if they say it often enough, it might actually happen.

The Government's reputation for economic competence is now at its lowest since Jim Callaghan went cap in hand to the International Monetary Fund in 1976. At 28p in the pound, the UK has one of Europe's highest rates of corporation tax. This Government's spending binge has seen the size of the state balloon—from 37 per cent. to 45 per cent. of gross domestic product. Under this Government, the cack-handed expansion of means-testing has seen the savings ratio plummet from 11 to 3 per cent., with consumer debt now a staggering 156 per cent. of household income.

The reality is that after the recent years of strong global growth, other countries such as Germany now have a budget surplus. Yet when it comes to fiscal management, the UK's so-called prudent Government have been outclassed by the allegedly profligate Italians and French, as Britain's budget deficit at 3.2 per cent. of GDP is by far the biggest of any major economy. That is why last week's Budget imposed a net tax rise of £2.5 billion—the precise opposite of what is now needed.

It is important to understand the extent of the Government's borrowing. This time last year, when the Prime Minister delivered his final Budget as Chancellor, he said that the Government would borrow £30 billion during 2008-09—the fiscal year about to begin. Yet in his first pre-Budget report, the present Chancellor raised that estimate to £36 billion—an alarming increase. Last Wednesday, the Chancellor jacked that amount up even more, announcing that borrowing in 2008-09 would, in fact, be £43 billion. In other words, in just 12 months, the Government's borrowing estimate for next year has increased by no less than £13 billion, a jaw-dropping 43 per cent. rise.

Looking further into the future, the numbers barely improve. The Prime Minister told us last year that he would borrow £28 billion in 2009-10. The Chancellor has just raised that figure to £38 billion. During 2010-11, the UK will increase its liabilities by another £32 billion—way higher than the Prime Minister's £26 billion estimate last year. In sum, our borrowing totals for 2008-09 to 2011-12 have gone up by £20 billion since the Chancellor's pre-Budget report. That is a staggering sum of money, which has not hitherto been accounted for.

Mr. MacNeil: Listening to the Westminster Government's catalogue of disaster, I can only think of the oil fund that Norway put away in the good years, or perhaps of a lesson from the Old Testament about getting ready in the seven years of plenty in Pharaoh's time for the seven years of famine. Given the catalogue of disaster and mismanagement at Westminster, does the hon. Gentleman agree that Scotland would have been far better off in Norway's position, building an oil fund and, of course, being independent, while being a good friend of England's at the same time?

Tony Baldry: I am sure that the supporters of this Government will pay an electoral price in Scotland, as they will everywhere else in the United Kingdom, because every part of the United Kingdom has been hit by their inability properly to manage the economy.

In the quiet watches of the night, even Ministers realise how bad is the present state of the economy. If we look at the detail of the Red Book, we see that the Treasury expects house prices to fall in real terms in the coming year, causing the first fall in stamp duty revenues since 2001. It is stated that due to

"sluggish or flat house price growth, receipts related to property such as stamp duty land tax, inheritance tax and capital gains tax, are expected to be £2.25 billion lower in 2008/09 than in the Pre-Budget Report."

The Treasury also expects to generate less from the City and business as the credit crunch and impending economic slowdown hit enterprise. What does the Chancellor do in response? He increases taxes and puts up the Government's borrowing to the highest rates for more than a decade.

As a consequence of the Budget, middle-income groups will be hit by a national insurance stealth tax. In every Budget that this Government introduce, various things are not apparent on the day. However long and soporifically the Chancellor drones on for, we often discover a lot of the nasties either in press releases issued by the Treasury afterwards or in the small print. This year was no exception. The Chancellor made no mention during the statement of the rise in the earnings ceiling for national insurance by £100 to £770 a week, but it was in the details of the Red Book. Analysts suggest that from 6 April next year, the 11 per cent. band will apply to earnings up to £40,040. Anyone on £41,000 or more will therefore pay about £500 a year more. That change will bring the Treasury additional revenue of almost £2 billion a year.

Instead of helping people out in the Budget, the Government have hit them again with big increases in alcohol prices, big increases in the purchase price of many family cars and big increases in taxes on business hidden in the small print of the Budget. Our constituents have to pay more for their drink and their cars. People are being kicked while they are down.

According to number crunching by the ever-vigilant Taxpayers' Alliance, nearly nine in 10 cars will attract higher rates of tax under the Chancellor's proposals. Fewer than one in 10 vehicles will benefit from the new system, and the biggest losers will be family cars. As a result of the reforms in the Budget, however, it is stated that

"the majority of motorists will be better or no worse off in 2009."

It is unbelievably difficult to relate that assertion to the fact that nearly nine in 10 cars will attract higher rates of duty. The vehicles hit will include modest family cars and people carriers, so that drivers of Skodas, Ford Mondeos and other models costing up to £20,000 will be hit almost as hard as those paying 20 times as much for their Rolls- Royces, Bentleys and Ferraris. Mondeo man, whom the Government courted to get into power more than a decade ago, is paying the price of filling the Government's borrowing black hole.

The Prime Minister's much-trumpeted green effort seems to have a very ad hoc quality. With regard to carbon emissions, the Government seem to be focused more on the targets that are the most visible than on those that are most at fault on carbon emissions. There is also a certain degree of gimmickry—for example, the non-tax on plastic bags. The Chancellor announced the possibility that next year he would propose a law to require retailers to charge for plastic bags and transfer the profits to charities. That is rabbit-out-of-the-hat stuff to distract people from what is happening to the economy.

It is not surprising that Tony Juniper, the executive director of Friends of the Earth, commenting on the Budget, said that it

"falls a long way short of not only what is necessary, but also what was possible to do…we need far more substantial measures to encourage waste minimisation and recycling.

Green tax measures would be more popular if they were linked to cuts in taxes on people and jobs…

Given New Labour's reputation for slick communications it seems that it was not a lack of creativity that was at fault, but a lack of leadership, vision and imagination."

The whole Budget demonstrates lack of leadership, vision and imagination.

The Budget is bad for small businesses. The Government deployed one of the oldest rhetorical approaches: when in trouble, they simply talked a good game and pretended that everything would be fine. On the day of the Budget, a new enterprise strategy was launched, regulatory reform was promised, and the Chancellor pledged to do more to help small firms get access to the finance that they needed. Business will not be deceived. The Chancellor is imposing more than £1 billion in new taxes on small firms at just the wrong moment in the economic cycle. He appears oblivious to that. He delayed a further £200 million tax rise on family businesses only because he realised at the last moment that it would not work. Those entrepreneurs and people in small business have already been hit by the scrapping of the 10 per cent. capital gains tax rate, and the Government will now reward only the first £1 million of wealth created—anything above that will be taxed at 18 per cent.

Mr. Prisk: My hon. Friend rightly highlights the burden of the Government's proposals on small businesses. As he has said, what the Government referred to as an

[Mr. Prisk]

entrepreneurs' relief set a cap on the ambitions of those entrepreneurs. Does he agree that it is a peculiar approach on the part of a Government who claim to support enterprise to penalise anyone who is successful above £1 million?

Tony Baldry: The treatment of capital gains tax has been and continues to be a fiasco. Clearly, the Government have arrived at a compromise between wanting to get the greatest possible tax take and not wishing to frighten off the business community too much. The Government have recognised that the business community have understandably fallen out of love with them, and are trying to mitigate the damage.

Business owners have also been hit by reforms to capital allowances, which will raise billions for the Treasury. That makes the giveaways in the Budget—a small £30 million enterprise capital fund, a £12.5 million fund to invest in female-run businesses, and a £60 million increase in the small firms loan guarantee—appear to be exactly what they are: token gestures.

While it is true that businesses will receive more than £680 million-worth of tax relief from the Chancellor over the next three years, it is also true that £1.4 billion worth of new taxes will eat away at any gains that they may make. For most businesses, the rate of capital gains tax will rise from 10 per cent. to 18 per cent., a rate that the Chancellor said would be introduced next month as planned. Britain's corporation tax income from companies is higher than that of any other countries except Japan and Canada. Bill Dodwell, a tax partner at Deloitte, has said:

"Businesses are worried at the rate at which things are taxed but also on what they are taxed. They are taxed on far more... than in other countries".

Businesses have been hard hit by this Budget. Let me take up what the hon. Member for Selby (Mr. Grogan) said about the tax on beer. As James Clarke, managing director of Hook Norton brewery in my constituency, has observed,

"A duty increase would not significantly affect off-trade prices, but would be devastating for pubs... Beer sold in pubs contributes to local economies, and often the pub can be the only retail outlet in a community, but obviously this still needs to be a viable business. Pubs are under increasing pressure from energy and food prices, as indeed we all are, so freezing duty on beer would not only be a real benefit, but it would also be seen as such."

Of course, the Government did not freeze the duty on beer; they put it up.

In my constituency, businesses will be asking "What next? We are seeing post offices being closed, hospital services being downgraded and village pubs disappearing. What will we see next under this Government?" I do not have time, notwithstanding the generous allocation that the House has given me—

Mr. Andrew Love (Edmonton) (Lab/Co-op): Will the hon. Gentleman give way?

Tony Baldry: No. I have no time to do so, or to draw the House's attention to the fact that nothing has been done to help business with red tape. Labour pledged to cut red tape in their 2001 manifesto, but even after three Acts of Parliament the regulatory burden on business is worse than ever.

This is a bad Budget for business, for jobs, for enterprise and for our constituents, and a particularly bad Budget for the families who are being hammered by this Government.

7.12 pm

Mr. Michael Meacher (Oldham, West and Royton) (Lab): I do not propose to comment on what was said by the hon. Member for Banbury (Tony Baldry), because he repeated large amounts of what we have already read in the newspapers. What I will comment on, before I come to my main point, is the principal line that the Opposition appear to be taking in the debate. It was taken by the hon. Member for Rutland and Melton (Alan Duncan), by the right hon. and learned Member for Rushcliffe (Mr. Clarke), the former Chancellor, and by the hon. Member for Gainsborough (Mr. Leigh), the Chairman of the Public Accounts Committee. Their argument was that the Government were at fault because they could have prepared earlier and better for the downturn. My argument is that this is not a normal downturn in a regular business cycle, and it is disingenuous and simpliste to suggest that that is so when the two central factors in the crisis are the United States sub-prime fiasco, for which the United Kingdom Government are not responsible, and—linked to that—the massive shift to securitisation and the opaqueness of trade assets. Because of the complete failure in the role of the credit rating agencies, the toxic effect of that was discovered too late.

I am not saying that the Government are not responsible in some ways. The Financial Services Authority could have acted more quickly in respect of Northern Rock, and there are other aspects of the crisis in the United Kingdom that we need to examine, but I believe that the main responsibility lies elsewhere. It is very easy in opposition, and in retrospect, to blame the Government irrespective of any real analysis of the situation.

Mr. MacNeil *rose—*

Mr. Meacher: The hon. Gentleman came into the Chamber in the middle of the debate, and he keeps popping up, presumably to assure *Hansard* of his presence. I will give way to him, but perhaps he should have come in earlier and made his own contribution instead of 10 interruptions.

Mr. MacNeil: I am most grateful to the right hon. Gentleman. His right hon. Friend the Member for Holborn and St. Pancras (Frank Dobson) pointed out that the Spanish Government had controlled mortgage lending far more responsibly than the United Kingdom Government. Does that not illustrate the way in which the United Kingdom Government sat idly by as the pressure was building and the pot was boiling?

Mr. Meacher: I accept that when we come to review all this we shall find aspects for which there is some responsibility on the part of any Government, although I think that that is arguable and that different judgments can be made. But my main point is that

merely saying that this massive crisis, this downturn which may turn out to have cataclysmic proportions, is somehow the fault of the UK Government is absurd. That is absolutely not the case. The situation is much more complex and much more unpredictable than that. In a situation of such gravity, it would be better for the House to refer to a real analysis of the facts than to try to gain cheap political capital.

Mr. Philip Hammond: The right hon. Gentleman must not suggest that the Opposition's critique of the Government's economic policies is being expressed only in the context of the credit crunch, which, as he said, was not created by this Government. We are running a higher fiscal deficit than all but three developed countries. We have an economy that has grown in an extraordinarily unbalanced way over the past few years, with a housing market that has been spiralling out of control. Does the right hon. Gentleman not believe that, in the absence of the credit crunch, we would still have faced a downturn at some point as those effects inevitably unwound?

Mr. Meacher: I recognise that there were issues of long-term sustainability, some of which the hon. Gentleman has mentioned. In fact his intervention has helped me, because my main argument will pick up some of what he has said.

There was one rather odd omission from the Budget. It contained next to nothing about dealing with tax avoidance. That is quite surprising given the difficult state of the public finances—to which the hon. Gentleman rightly drew attention—the Chancellor's obvious need to close the gap, and the current international campaign led by Germany to tackle the scandal head-on, which I consider very important.

As we know, the hole in public revenues amounts to some £40 billion. That is a large amount, and it is increasing. The Treasury forecasts that the figure will be £7 billion higher than was suggested in the October pre-Budget report. The Chancellor had every incentive to claw back tax avoided and evaded to help balance the books without raising taxes for the rest of the population.

A recent pamphlet produced by the Trades Union Congress and written by the tax accountancy expert Richard Murphy found that tax avoidance and tax planning—by which I mean fabricating plans artificially in order to pay little or no tax, a device employed by very rich individuals—now account for about £13 billion a year, while the same device employed by companies in rather different ways accounts for a further £12 billion a year. There is obviously plenty of scope for much tougher anti-avoidance measures that would benefit everyone else. If such persons can be made to pay their due and proper taxes, others will need to pay less. Moreover, Inland Revenue statistics show that those who are paid more than £100,000 a year, who constitute less than 1 per cent. of the population, now receive £8 billion in tax reliefs and allowances.

Another important factor that could well have propelled the Chancellor towards a Budget assault on tax avoidance, which I think is long overdue, is that the international atmosphere is much more conducive to tougher action than it has been for decades. Germany, as we have read, believes that it is losing nearly £25 billion a year in tax evasion by rich Germans holding anonymous trusts in Monaco and Andorra, in addition to others who, rather curiously, were outed by a whistleblower as having secreted huge sums of money in another tax haven, namely Liechtenstein. Germany is now demanding cross-national action to force countries with banking secrecy to share information. That is a favourable climate for the UK to participate and take the lead.

Since there is considerable evidence that super-rich British people also use these and other tax havens—notably the Cayman Islands—for the same purpose, a crackdown on those avoiding their tax responsibilities could produce big benefits for the UK Treasury and, my goodness, there has never been a time when the UK Treasury needed big benefits as it does now.

Why was that not done in the Budget? I suspect the reason is the stranglehold exerted by the City on the Government—particularly on the Prime Minister, I have to say—who have been persuaded that the financial enclave of the City of London is central to the economic interests of the UK as a whole. I submit that of course it has an important role, which I would not downplay for a moment, but the idea that it is central to the UK economy is quite another proposition.

By bending over backwards to encourage hedge funds and private equity firms through the most egregious tax liberality—I refer to the absurdly low 18 per cent. basic tax rate on income from the carry, or share, of the gains on these massive deals, which is less than half the income tax rate payable by top earners—and as a result of other measures, the Government have in effect turned the UK, or more specifically the City of London, into a gigantic tax haven for the internationally mobile business élite. The problem is that, by sucking talent and capital from other parts of the economy, the remarkable successes over the past 10 years, which I am the first to praise, have been bought at a very high price—I would say too high a price.

As the credit crunch is now exposing, City profits on invisibles cannot and never could compensate for the steady, continuing decline of Britain as a manufacturing nation—and that is the basis of wealth for all industrial countries. The volatility and excesses of the finance sector are outweighed by the 1 million jobs lost in manufacturing over the past decade, the stagnant industrial output, the £7 billion-a-month trade deficit, and the weakness of manufacturing investment and of the so-called knowledge economy—R and D—which is confined to a very few sectors. Those also have to be taken into account. My point is not that the City of London does not have a key role, but that it cannot be allowed to exploit that role at the expense of reducing the capability of Britain as a sustainable industrial base.

Even when other countries have recently made what can only be regarded as a very serious effort to counteract some of these excesses in tax avoidance, the UK has taken a lead in blocking them. The UK has for example regularly refused to allow the deduction of tax from interest payments within the EU, which would hugely restrict the effectiveness of tax havens because the basic rate of tax—presumably about 20 per cent.—would already have been deducted from the income before it reached the tax haven. There can be

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little doubt that this withholding tax proposal of the EU was stymied in order to preserve the UK as a tax haven, given the City of London links to the overseas protectorates and Crown dependencies.

If I may I shall give just one more example of what I think is an industrial and financial way of life that is not sustainable. Maintaining fiscal independence from Europe may be a populist move—clearly it is in this country—but in reality it enables the international corporations to play the EU and other countries off against each other in constantly bargaining for lower tax rates.

The credit crunch and the approaching downturn, which some people, even today, believe may have very serious consequences, show that a different approach is now necessary. Not only is closer regulation of the financial markets clearly now imperative to prevent future damage to the international economy—the precipitate collapse of Bear Stearns is clearly not the last of it—but the UK in particular can no longer afford either the prohibitive cost of the tax privileges of the City or, just as importantly, the collateral manufacturing damage inflicted on Britain as an industrial nation. *[Interruption.]* Before the hon. Member for Runnymede and Weybridge (Mr. Hammond) gets carried away, let me remind him that Winston Churchill, as Chancellor in 1925, said that he would rather see industry with head held high and finance less proud. He was absolutely right, and that applies just as much now.

In particular we need a fundamental change in the tax culture in this country so that corporations and super-rich individuals no longer regard it as a duty—as we learned from Tesco in the press a few weeks ago—to minimise tax by any artificial devices that can be dreamed up to secure private gain. It is surely, by contrast, a responsibility that they make a fair contribution to the overall public gain of which they are a part.

There are several ways to achieve that. Obviously a key one is to seek to eliminate tax haven abuse. The non-governmental organisation Tax Justice Network calculates that the total assets now held by the wealthiest people in the world in tax havens amounts to a staggering $11.5 trillion, at a potential cost to world Governments in tax forgone of about $255 billion. To put that in context, the money lost to Governments worldwide is more than two and a half times total global aid flows last year.

Mr. Prisk: The right hon. Gentleman is talking about the amounts that high net-worth individuals have, which he says are lost to Government. How would he comment on the contributions of people such as Bill Gates, who give a huge proportion of their income to the very aid that he is trying to support? Governments do not have to do that on their own; individuals can contribute to it.

Mr. Meacher: That is fine. I know that some of the richest people such as Gates, Warren Buffett and, to some extent, Richard Branson have made substantial contributions, which is extraordinarily creditable, but that is not an argument for saying that very wealthy individuals should not pay their full, proper and due tax.

In the UK alone, the tax amnesty for those holding accounts with the offshore branches of some UK high street banks in the main Crown dependencies—I am thinking of Jersey, Guernsey and the Isle of Man—is expected by the Treasury to yield a recovery of about half a billion pounds in tax from just 60,000 people, or 0.1 per cent of the population, who admit to undeclared income in these places. That shows the sheer scale at present, and it is unacceptable.

I am not against amnesties; I understand why we have had one now, and I think it is succeeding. Instead of just having occasional amnesties, however, all UK dependencies and protectorates—particularly the Cayman Islands—should now be required to use the same standards of disclosure and accountability as the UK itself. The UK standard should also be tightened by requiring all UK-registered companies to report annually on all their overseas subsidiaries, including their revenues and how many people are employed. If we were to introduce that transparency, it would dramatically improve the prospect of fair and balanced tax collection, and I intend to table an amendment to the Finance Bill to that effect—if the Government do not do that first. *[Interruption.]* Yes, I think that that is unlikely, which is why some of us need to assist and nudge an arm or two.

There are several other ways of dealing more effectively with tax avoidance and evasion. We should look at the tax reliefs and allowances that accrue to those earning over £100,000 a year—the richest 1 per cent. of the population. One might ask: what is the justification for enhancing by means of tax reliefs an already enormous salary, when that will mean that others will have to pay more to compensate?

Mr. Love: I agree with many of my right hon. Friend's points, although I must say that we ought not to set manufacturing and finance in competition with each other; both must flourish within our economy. How does he respond to the classic argument that is made against his case for proper taxation of the wealthy, which is that they are so mobile that they will simply move outside the jurisdiction of the UK authorities?

Mr. Meacher: I shall come on to that. *[Interruption.]* I know that many Members say that when they might not intend to do so, but I do intend to—in the brief time that I have left.

I was talking about how we might deal with offshoring, and I also wish to talk about the domicile rule. Frankly, it is indefensible. If it were abolished, that would recoup more than £4 billion in lost taxation. Abolition might not be the answer, but there should certainly be a considerable reduction in its application. As for so-called capital gains on all assets held for less than a year, they are clearly not capital gains but a form of income, and they should be treated as such and be subject to income tax. That would save about half a billion pounds in otherwise lost tax. Also, the tax authorities should make it absolutely clear that they are deadly serious. The UK should co-operate with other countries, particularly in Europe, to ensure that tax is

paid where the taxable economic activity occurred. That would largely stop misallocation of profit to tax havens.

More complex tax avoidance should be tackled by enshrining in law the general principle that wherever an otherwise commercial transaction is added to any arrangement the sole or main purpose of which is to reduce tax liability, Her Majesty's Revenue and Customs should disregard the artificial addition and tax the transaction accordingly. Counter-productively, HMRC is being run down by 25 per cent. in the five years to 2010. In order that corporations and super-rich individuals understand that tax avoidance does not pay, it should instead be built up substantially, as the Treasury calculates that each member of HMRC staff recovers 96 times their full cost of employment.

Artificial tax avoidance and tax evasion are a cancer on the body politic. Economically, this is the best time for decades to launch a systematic campaign to eradicate that, and I look to the Treasury to set it in place.

7.35 pm

Mr. Bernard Jenkin (North Essex) (Con): It is not an unalloyed pleasure to follow the right hon. Member for Oldham, West and Royton (Mr. Meacher), although it does present me with an opportunity to thank him for sponsoring my private Member's Bill to deal with the problem of fly-tipping, which was introduced under the ten-minute rule. I fear that his speech was a return to the fantasy land of 1970s extreme socialism, when Anthony Wedgwood Benn used to say, "The Government should grab the pension funds from the City and invest them in industry," as if those vast pension funds were somehow the plaything of the rich.

The right hon. Gentleman truly misunderstands the mobility of modern capital and of individuals in the global economy. He talks about billions of pounds being raised by dealing with tax avoidance, but those billions of pounds will simply disappear from the UK's jurisdiction. I do not apologise for one moment for the fact that we have made London and the United Kingdom a tax haven for a great many rich people, who come here and pay modest taxes in this country instead of higher taxes elsewhere. Hundreds—if not thousands, or tens of thousands—of individuals bring their talent and wealth to London and this country not just because it is a great country to live in, but because it is worth their while financially to do so. We will be casting them out.

It must be placed on the record that the mooted alterations to the status of the so-called non-doms have already done great damage to the UK's reputation for stable tax policy. Stable tax policy—predictability in terms of the tax burden—is vital for businessmen to be able to plan and invest for the long term. If the right hon. Gentleman's proposed amendment were to pass, he would effectively be creating probably the most unstable tax regime in the whole of the OECD, which would be guaranteed to drive a lot of inward investment and talent away from the UK, at great cost to the Exchequer. We should have learned over the past 10, 15 or 20 years that lower tax rates in fact yield higher tax revenues, and a benign tax regime is good for economic growth, for tax revenues and for the very public services that he and I both believe in.

Mr. Meacher: The hon. Gentleman has just repeated the theory of the Arthur Laffer curve, for which there is not the slightest supporting evidence. On non-doms, is he aware that the Treasury has estimated that of the 120,000 persons with that tax status probably only about 3,000 would seriously think about leaving? Moreover, how far is it justified to build the wealth of a country on the extreme wealth of a tiny number of people, at the expense of manufacturing industry and the general prosperity of the rest of the country, and of poorer people who have to pay far more in order to compensate?

Mr. Jenkin: The right hon. Gentleman made three points in what was a rather long intervention, and I shall try to deal with all of them. First, it is impossible for the Treasury or anyone to predict how tax changes—on the non-doms, for example—will affect people's behaviour. Tax changes very often create unintended consequences, which, had we understood at the time, might have changed our view of the changes. Treasury officials and Ministers tend to take a rosy view of how much revenue tax changes will yield. They rarely underestimate how much extra tax revenue will be gained by a tax increase, but there is a tendency to underestimate by how much tax revenues will rise when we cut taxes.

That brings me to the right hon. Gentleman's second point—we will just have to disagree about the Laffer curve. It is an extremely logical and provable relationship that lower tax rates increase economic growth and tax revenues. His final argument about there being a trade-off between a low tax regime that attracts talent from around the world and manufacturing is completely fallacious. The fact that the UK is responsible for 90 per cent. of the currency and bond trading in the European Union although we are outside the euro, and that the Sarbanes-Oxley Act has resulted in our attracting much of the equities and derivatives trading to London seems to pass him by. The idea that if we clobbered the City, closed it down as the world's premier financial centre and drove all that offshore, there would then be an instant revival in traditional manufacturing is fantasy—it bears no relation to the real world in which we live.

Mr. Jeremy Browne: This is an interesting ideological discussion. Does the hon. Gentleman share my dismay that in the whole of his 20-minute speech, the right hon. Member for Oldham, West and Royton (Mr. Meacher) concentrated all his attention on a relatively small number of people earning a large amount of money and said precisely nothing about the millions of people in this country on very low earnings who are paying marginal rates of income tax of about 70p in the pound?

Mr. Jenkin: I would like to pick up on a point made about the abolition of the 10 per cent rate. Only last week, my surgery received a visit from a pensioner couple who could not understand how they have been caught by a grievously punishing tax increase. The lady is a non-taxpayer on a modest pension; the gentleman did pay 10 per cent. tax but will now pay 20 per cent. tax, and there is nothing that they can do about it. It is monstrous for this Government to claim that they are eradicating poverty when they treat categories of

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pensioner in that way. I hope that the Chief Secretary to the Treasury will take heed of the point that the hon. Member for Taunton (Mr. Browne) and I have made in this debate and respond to it, because I cannot for the life of me see how that policy can be greeted as fair.

The main burden of my comments centres on whether the Government are properly prepared for the economic downturn. I listened to the comments made by the right hon. Member for Oldham, West and Royton, and I should like to make a correction: no one is blaming this Government for the sub-prime crisis in the United States—I am happy to put that on the record and I am sure that my Conservative colleagues would assent to that. We cannot pin that one on the Government. What we can point out, however, is that over the years people have warned about a forthcoming credit crunch. For example, in evidence to the House of Lords Select Committee on Economic Affairs on 7 November 2006, Professor Tim Congdon said that

"the current high rate of money growth is largely responsible for the buoyancy of asset prices and mini-boom conditions in the UK's service industries...asset price weakness, including falls in house prices, is a probable feature of the adjustment to slower money and demand growth in late 2007 and 2008."

He did not foresee a credit crisis, but he certainly foresaw a correction that would be reflected in falling asset prices or lower growth in those prices.

An even earlier piece of evidence, published in 2005, was a book entitled "Crunch Time for Credit?", by Edward Chancellor, the financial historian. That book noted:

"The credit bubble that has developed in the UK and US economies over recent years is unsustainable and has 'badly corrupted' the economies of the two countries, with potentially serious destabilising results, says a major new study of the economic and investment implications of the build-up of debt in the two countries."

The book refers to the great depression of the 1930s and the recent experience in Japan and Korea as examples of what could be happening in the United States and the United Kingdom. He wrote:

"The growth of credit has created an illusory prosperity".

The Government have to take their responsibility for that. He continued:

"It may well end in either an extraordinary deflation...or an extraordinary inflation."

When discussing the UK economy in particular, he said:

"The UK economy has become 'increasingly vulnerable' to a credit crunch".

So this particular crisis did not come out of the blue as a bit of bad weather. Anybody who knows anything about economics knows that straight lines do not continue for ever.

The hon. Member for Dundee, East (Stewart Hosie), who was briefly in his place on behalf of the Scottish nationalists, discussed the words used in the voluminous book that we still call the Red Book although it has been disguised as a sort of pamphlet that puts the argument for all the Government's polices. It contains pictures of schoolchildren, a dear old lady, somebody building a house, somebody recycling their rubbish and somebody carrying a bicycle, but it is meant to be a serious document. Budgets have become increasingly unintelligible; they talk about, "Sustainable growth and prosperity" but it is difficult to find a Government table illustrating debt, borrowing and spending, given the chapter heading:

"Fairness and opportunity for all".

I wish we would get back to more intelligible Budget documentation. Nowhere does the book refer to the end of boom and bust, which is what we were promised. No matter how many times the Prime Minister promised an end to boom and bust when he was Chancellor of the Exchequer, any sensible person knew that no Government could promise that. Thus, in the good times one is meant to prepare for the bad times. One thought that that was what the golden rule was all about—it was meant to be about building up the capital in the good times so that we could weather the bad times, but that did not happen.

What has happened over the past 10 years is that the Government have substantially increased public expenditure. It has risen from 37 to 42 per cent. of gross domestic product, which is a 40 per cent. real terms increase over seven years and has the effect of overcalculating GDP. A useful table produced by Reform shows that GDP is inflated by about 7 per cent. merely by increasing public expenditure.

As the right hon. Member for Holborn and St. Pancras (Frank Dobson) said, nurses and doctors create wealth too. If more money is spent on nurses, doctors and teachers, that contributes to the GDP. Unfortunately, the large increases given to health and education over the years have not produced the commensurate increase in output and productivity—in fact, productivity in the health service has collapsed. That is one of the reasons why some of us prefer the private sector over the public sector when it comes to deciding how to modernise public services. Interestingly, even this Government are importing all kinds—*[Interruption.]* The Chief Secretary is looking suspicious, but she might ask herself why treatment centres are to be run by private companies. She supports bringing the private sector into the health service, and that is one of the policies that we will need to examine.

Peter Bottomley (Worthing, West) (Con): My hon. Friend is referring to the growth of public spending. I hope that he will remind the House that we must wait until the last two pages of the Red Book—pages 203 and 204—before we discover table C14, on the historical series of public sector balances, receipts and debt, and table C15, on the historical series of Government expenditure. It is all laid out, but, surprisingly, Ministers did not include it earlier in the book.

Mr. Jenkin: Those tables used to be what Budgets were about; now they are about all the rhetoric and guff at the front. One must wait two or three days before the real truth of the Chancellor's Budget emerges. I do not intend to waste any more time anatomising the Chancellor's Budget statement.

The big increases in public spending have not produced the transformation of public services for which many had hoped. They have produced a rising tax burden—I understand that we are talking about an extra £1,250 per person in this country over a 10-year

period. Of course, taxation has lagged behind the increase in spending. Taxation has only grown from 35 per cent. to 37.5 per cent. of GDP, which means that we have moved from a fiscal surplus of 1.7 per cent. at the beginning of the period to a fiscal deficit of 2.7 per cent. That is at a time when we should have been paying off our public debt, not increasing it. When we compare those figures to other countries, we see that Australia's 3.7 per cent. deficit during that growth period is now a surplus of 1.3 per cent. In New Zealand a 0.2 per cent. deficit in 1999 is now a 3.3 per cent. surplus. Whereas other countries have been building up their funds for the inevitable correction in the markets that takes place after any period of sustained economic growth, our Government have been storing up economic problems for the future, so that we are in the worst position to deal with whatever crisis the international markets throw at us.

It is worth pointing out that the increase in taxation and spending, and the lost productivity that tends to happen in the private sector, has led to a consistent overestimate of tax revenues. In each of the last seven years, as the Taxpayers' Alliance demonstrates, tax revenues have come in substantially below forecast and Government spending has overshot. The Government have shown very little discipline with public spending, even overshooting their own forecasts. Substantial increases in spending of 4.3 per cent. per annum on average over 10 years have outstripped economic growth. Consequently, the debt to GDP ratio has risen from 30 per cent. to 37 per cent.

Now we have the credit crunch, which was entirely predictable. The Library has kindly provided me with figures for household debt in relation to GDP for the US and the UK. In the US, where the sub-prime mortgage crisis has occurred and triggered everything else, household debt was 66 per cent. of GDP in 2005 and rose to just under 100 per cent. of GDP in 2006. It has continued to worsen in the last two years so that it is now more than 100 per cent. geared to GDP. We keep hearing how irresponsible the US financial system is, but precisely the same has happened in the UK. It is an extraordinary coincidence, but in 1995 household debt was 66 per cent. of GDP and in 2006 it had gone up to £1.3 trillion, equivalent to 100 per cent. of GDP. It has continued to get worse and the Government have done nothing about it. They are responsible for monetary policy through the Bank of England, and it is no good disclaiming responsibility for it.

Monetary growth has fed the credit boom, and excessive monetary growth will now suffer from the correction. There are only three ways to deal with accumulated debt. The Government can inflate their way out of the debt, so that everybody's debt is devalued by inflation. People can work to pay their debt off, but the markets have decided that there is so much debt out there that defaults are likely. It is not surprising that we now have a crisis in the banking system. Of course, I share the cynicism of some Labour Members about why some of those people in those institutions make those decisions. I should declare an interest in that I used to work in the City in the venture capital markets, but the responsibility of investors is to make good and sound investment decisions and to walk away from the deal when it becomes too expensive. Markets behave like herds in such instances, and it is the responsibility of the Government and the regulators to ensure that such excesses do not occur.

What should the Budget have been about? It should have been about stability. We heard the word "stability", but it was an invocation with remarkably little power behind it. Public expenditure will be on a tighter rein in future years, but it will only stabilise at around 42 per cent. of GDP, which displays a continuing upward trend. That is assuming that economic growth and tax revenues match the Government's anticipated figures, which is unlikely. It also assumes that we meet the tighter spending targets, also unlikely under this Government.

The Budget has put off the fiscal responsibility that is required to stabilise our public finances. The national debt will continue to rise. The Budget has not been about addressing the economic crisis or competitiveness: it has been about increasing taxation on ordinary people in this country. It has been about hoping that something will come up between now and the next election to bail out the Government and prevent them from having to face the consequences of being a tax and spend Government, as all Labour Governments turn out to be. The Government have squandered the economic inheritance that they received from the Conservatives; failed to reform the public services as many sincerely hoped that they would do; and failed the British people.

7.56 pm

Mr. David Anderson (Blaydon) (Lab): Several hon. Members have spoken about the technicalities of the Budget, but I want to talk about the impact it will have on people and how we can address some of the problems facing those who will feel the impact of the decisions that will be made by the House tonight.

I welcome some aspects of the Budget. First and foremost, as a former apprentice mechanic, I was pleased to hear that we will continue to support the development of apprenticeships, which should be welcomed by every hon. Member as a way to address the problems of our young people and provide them with better and different types of education. The lowest number of apprenticeships ever was 25,000 in 1992. Many of the industries that many of us had grown up with had been destroyed, and there was no one to provide apprenticeships. Thankfully, that has been turned round.

We have also done well in supporting 250,000 children who have been taken out of poverty, although there is clearly much more to do. I also want to focus on pensioners. It is noticeable that Age Concern and other groups have welcomed the fact that 600,000 pensioners will no longer pay tax, through the changes made last year, and the increase of the minimum income guarantee to £124. The positive moves on the heating allowance are also welcome, but they would have been a bit more positive if they had been made last year—2006-07—when some of us were arguing for a £100 increase in the heating allowance for people aged over 60. It is a shame that that has not been followed through this year.

The biggest impact on pensioners, especially those aged between 60 and 64, will be the removal of the 10p tax band. That is the one issue that pensioners and

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low-paid workers raise with me, and we must address it in the coming months and years. The £50 on the heating allowance for those aged between 60 and 64 will be more than eaten up, because they will pay at least £2 a week more in tax, according to letters I have received from the Treasury. They will get £50 in one hand and have £100 taken from the other. That is not the way to make progress.

I come back to the issue of the reinstatement of the link between earnings and pensions, which has been discussed before and forms part of the Pensions Bill. We must stop debating whether it will happen, and the time that it will happen should be brought forward, because by 2012 many people will be out of the loop as they will no longer be with us. The other aspect to that is that once the link is restored, it will not be enough to leave it at that, because 15 or 16 per cent. of the average salary in 2012 will be much less in 2020 in cash terms. Although the percentage might be the same, the National Pensioners Convention estimates that in 2012 the link will be worth 15 or 16 per cent. but that the gap will be about £500. Ten years beyond that, if there is not an uprating mechanism, the gap will be nearer to £1,000, and that is not acceptable. I have suggested to the Treasury that when the link is restored we should put in place a commission such as the one that monitors the national minimum wage, which would consider all the factors that impact on pensioners' lives and say that we should uprate pensions above and beyond the current link.

Another positive move, which has not quite gone far enough, is the good news about smart meters. Smart meters are the way ahead for the energy companies, for the green agenda and to help people in this country save money. Reports out this weekend have estimated that, in the north-east alone, if every household had a smart meter put in it would save people £50 million and reduce carbon emissions by 300,000 tonnes. That could be replicated across the country, but we need some impetus. The small discussion in the Budget, although it is welcome, is not enough. We should have the same mental attitude as we had in the 1960s, when we converted every house with gas from ordinary gas to North sea gas. We did not let anything stand in our way. We should say to the utility companies, "If you want to carry on making money in this country, you must work with the Government and put in smart meters as a matter of urgency." I suggest that the utility companies would be up for that; we should be up for it, too.

We must also do something about prepayment meters, because people are being robbed by them. I am glad that the Budget has made moves in that direction, but an Energywatch report this year showed that people were being charged up to £300 more for the same amount of electricity as others simply because they cannot afford or have access to direct debits. That is out of order.

Over the past week or two, there have been a number of programmes on the TV about how alienated white working class people feel in this country. That is a valid point, but it is not only white people. Ordinary working class people in this country feel disengaged from the political process and that they are being overlooked. I believe that our Government should look to the future.

I have three practical cases that we could pursue to bring back those people who feel that they have been left out. First, I suggest that we consider introducing free school meals for every child in this country. It would at a stroke reduce the stigma for those who have free school meals at the moment. It would obviously increase uptake. It would develop healthy eating habits. It would, I hope, give children a more educated outlook about what food is and the importance of a balanced diet. It might also mean that some children would get at least one good meal a day.

I also suggest that we should consider keeping children in schools at lunchtime. It might not be popular with children, but it would certainly be popular with local people because it would reduce antisocial behaviour and litter. It would also give teachers more time to spend with the children and encourage them to develop the children as human beings. There will be a cost, but I believe that the benefits will outweigh the cost. Obviously, some parents would gain financially if they no longer had to pay, but the long-term health benefits and the importance of a healthy diet should outweigh that.

The second issue that I ask the Treasury to consider is the fact that for more than 30 years we have been committed to equal pay for men and women, but for more than 30 years we have failed to address the problem properly. Last year, one in five employment tribunals were about equal pay. Unison and GMB between them have 60,000 cases lodged at employment tribunals against the NHS and local authorities. Some negotiations have seen some success, but ultimately the lack of resources from national Government has prevented real movement. Even the most successful cases, which have been negotiated, are being unravelled by no win, no fee lawyers. The Government and employers have a duty to ensure that pay audits are performed and that they deliver equality. Only real Government support can address the issue.

We have put this off for 30 years. It is 11 years since the single status agreement was agreed in local authorities. It is nearly five years since the agenda for change was agreed in the NHS. If we as a Government do not find the resources to give to public authorities, the probability is that the employment tribunals and the courts will make it their responsibility. Neither the NHS nor local authorities will be capable of funding the bills that they will be landed with. Again, as well as doing the right thing we will make working people know that we are on their side.

Finally, I want to put forward a policy that my party and my Government are committed to, at least on paper: the development of a real role for councils in the provision of social housing. Some 2.5 million people have rejected the privatisation of their homes under various ballots for arm's length companies, or arm's length management organisations—you name it. Many more left in-house provision because they were given little, if any, real alternative. In Sunderland, for example, they were told, "Your houses need an investment of £250 million. If you don't vote for it, you won't get any investment, but your rents'll go up £5 a week." Obviously, people did what they thought they had to do.

The truth is that policy debates, political promises and procrastination have been the hallmark of the past few years. While we sit and talk about it, 1.6 million

people are on local authority waiting lists. It is the biggest issue that I face in my constituency, and we have decent council housing. My surgery, postbag and phone calls every day bring cases of people with housing issues: they cannot get a house, they cannot get the house they want, they want to be out of the one they are in or the one they are in needs upgrading and they are waiting for it to be upgraded. I am not saying that we have not done anything about that—we have. The truth is that if we want to be faithful to the working backbone of this country, we must give local authorities the tools they need to deliver good social housing.

The official impact assessment that accompanied the new Housing and Regeneration Bill suggests that councils will be allowed to build only 2,500 houses a year, yet the Government have committed to build 3 million. Do we not trust councils? Do we not think that they can deliver? Do we not have faith in them? We should have—they are our people. They are democratically elected to do the job that ordinary working people have asked them to do. We should tell them to get on and do it.

If we do that, I believe that ordinary working people in this country will say yet again, "Yes, the Labour party and the Labour Government speak for us. They believe in what we do." We have aspirations. I do not believe that "aspirations" is a word that can be used by only one side or another of this House. We should all have aspirations to make this world a better place for the people we represent, no matter what their background.

In my community, no one has yet said to me, "Dave, how much extra inheritance tax will I leave to my children?" We have some decent houses where I live. We have people who will leave £1 million and more. The issues that working people in my constituency bring to me are those that affect them day in, day out. I spoke yesterday to a gentleman who runs a local pub, and he said, "What on earth are you doing? Are you trying to drive us out of business?" An increase of 4p on a pint of beer might not sound like much, but the smoking ban—whether we like it or not, and I think we made the right decision when we imposed it—has had an impact on pubs. People can go down the street and buy 24 litres of beer for £16. If the guy who runs the pub wanted to sell 24 litres of beer, he would have to charge £100, which would give the Government and the country a lot of VAT that they would not get from the supermarkets, so we lose in every sense of the word.

We have to realise that we are alienating the people who we would say were our core supporters. We need to look at things like the fact that not only are we putting 4p on beer but we are committed to put it up by 2p plus inflation over the next period. That will not impact on binge drinking or disorder. People are not going to stop going out and getting smashed just because we have put 4p on a pint of beer, but that increase might close community locals where people are just hanging on by their teeth. Surely that is in nobody's interest.

Finally, I want to say a word or two about the people who keep this country ticking over—the police, prison officers, nurses and everyone who works in our public and civil services. Over the past year, they have asked us time and again, "What are you doing to us? Why are you not paying us what we are worth? Why are you cutting our jobs and starting to pay us regional pay?"

Tens of thousands of civil service jobs have been lost, and it has been announced that another 12,000 jobs in the Department for Work and Pensions are to go. We ask fewer staff to do more work for less pay, so it is no wonder that they ask, "Where is our Government going?" It is our responsibility to look after them, because they carry out the work that we decide must be done. If we do not look after them properly, how can we expect them to look after our people properly?

I hope that this Budget, and the one next year, will give us a chance to resolve some of the problems that I have outlined. I am saying not that we should ignore middle England but that we should give priority to the issues that ordinary working people feel are not being addressed—their pay and conditions, their sense of equality, the houses that they live in and the homes that they are proud to have been brought up in. Those homes have been denigrated in this House, and people who live in social housing sometimes feel like second-class citizens. That is not how the Labour party and a Labour Government should behave.

I do not believe that the Conservative party will stand up for this country's ordinary working people. No one knows what the Liberal Democrats would do if they were in charge but, if we do not get our act together and start looking after our working people, we might find out.

8.11 pm

Mr. Mark Prisk (Hertford and Stortford) (Con): It is a pleasure to follow the hon. Member for Blaydon (Mr. Anderson), who spoke powerfully and sincerely about the matters that concern people in his constituency. I hope that the Minister was listening. I suspect that politically, there are things that will divide us, but the hon. Gentleman made a very powerful point about aspiration. That is a subject that has not been mentioned much in the debate, although I hope to talk about it in a moment.

I was also interested to note that the hon. Member for Blaydon was the fourth Labour Member to speak negatively about the effect of the proposed beer tax changes on small businesses, pubs, clubs and local community groups. Again, I hope that the Minister was listening carefully.

Last Wednesday, the attention of British business and economic commentators was focused on what might be in the Chancellor's Budget statement to the House, but in the long term, it would probably have been better if it had been focused on events in New York. While we focused on the contents of the Red Book, the fate of Bear Stearns—Wall street's fifth largest investment bank—was beginning to unravel. This debate has been going on since last Wednesday, and in that time Bear Stearns has been sold off, for a price that represents just 6 per cent. of what its value was last week. Last week most of us may not have been intimately familiar with Bear Stearns, but its fate has repercussions for us all. Many hon. Members have mentioned the credit crunch, but the fate of Bear Stearns shows that, far from being over, the crunch has merely embarked on its next phase.

Sadly, as various hon. Members have noted, this country is not well placed to cope with the coming financial storm. Indeed, we are more vulnerable than many of our competitors. Higher personal debt, low

[Mr. Mark Prisk]

private savings and a record balance of payments deficit have left this country exposed, because we rely so much on other people's money.

However, the debate has made it clear that it is the level of Government borrowing that is exposing us to the worst of the bad economic weather. We have had 15 years of steady global growth. Over that period, any sensible Government—like any sensible business—would have taken the opportunity to build up their position and put something in reserve. Not this Government, though: instead of entering the downturn with a healthy surplus, they have built up a huge deficit. At 3 per cent. of GDP, our budget deficit is worse than that of all our major competitors—unless, of course, the Government now wish to count the Egyptian economy as a major competitor.

What a wasted opportunity it has been. Having inherited a golden legacy, Labour could have—should have—used the past decade to invest for the long term and prepare for the downturn. What have we had instead? The Government have not taken the long, strategic view; rather, we have had a decade of petty tinkering and meddling, of petty targets and stealth taxes. I suppose it was no surprise that last Wednesday, with the global financial markets in turmoil, the Chancellor dithered over whether we should have a ban on plastic carrier bags. That was the extent of the vision in the Budget.

One result of the Government's obsession with fiscal tinkering is that this country now has the longest and most complex tax code of any major economy. Since 1997 "Tolley's Tax Guide"—the principal compendium of all our tax regulations—has doubled in size and is now nearly 10,000 pages long. Ministers claim that they want to simplify the tax system, but their policies are achieving the reverse.

The Red Book—I shall carry on calling it that, although my hon. Friend the Member for North Essex (Mr. Jenkin) was right to say that both its colour and its purpose have changed—contains all the principal measures in the Budget. Two pages are devoted to tax simplification, but they are accompanied by tax law explanatory notes 270 pages long. Indeed, the explanatory notes on all the changes are longer than the entire Red Book itself. By tinkering and meddling with dozens of taxes, rates and thresholds the Chancellor—and inevitably, of course, the Prime Minister before him—has created a hideously complex system that wastes the time and money of every taxpayer and business in the land.

That leads me to the Government's peculiar approach to so-called tax abuse. I am sorry that the right hon. Member for Oldham, West and Royton (Mr. Meacher) is not in the Chamber at present, as he gave us a fascinating description of how he thinks we should clamp down on anyone who is successful. Hon. Members will know that until 1997 there was tax avoidance and there was tax evasion; one was legal, the other was not. The Prime Minister, when he was Chancellor, rejected that approach. He believed that too many people were abusing the system and not paying what he thought that they should. He therefore devised the new notion of tax abuse, which sits somewhere between evasion and avoidance and, peculiarly, straddles both legal and illegal activity.

For example, the IR35 rules were brought in to tackle freelancers who the Prime Minister, when he was Chancellor, thought were abusing the system. We were told that millions of pounds of taxpayers' money would be recovered, but the reality is very different. For example, of the 1,400 cases taken out against freelance members of the Professional Contractors Group—a body that represents just one part of the marketplace—only three have been prosecuted successfully by the taxman.

The same misguided thinking can be seen in the so-called "income shifting" proposals. Over the last few years, Her Majesty's Revenue and Customs—sanctioned by Ministers—has spent nearly £500,000 on a single vindictive case against Mr. and Mrs. Jones of the Arctic Corporation, over an alleged liability of only £40,000. There was a good use of public money: spending £500,000 on a case to reclaim a £40,000 alleged irregularity. Ministers lost the case, both on appeal and in the High Court, so what did they do? They decided to change the law, with the result that they now seek to interfere in every family business and to decide the value of what different owners bring to that business.

Mr. Jeremy Browne: Does the hon. Gentleman share my grave concern that if the family business is a farm, it is very difficult to quantify what each member brings to it? There is the farmer, and his wife may help with bread and breakfast, while his son, daughter or son-in-law may help with mending farm machinery or with the harvest at the appropriate time of year. The Government have deferred implementing the proposal for a year, but they have not scrapped it altogether. The problem is that it will be massively intrusive, and will lead to a huge rise in bureaucracy for small businesses.

Mr. Prisk: I agree with my hon. Friend—I mean with the hon. Member for Taunton (Mr. Browne), although he has been present in this debate for so long that he is becoming a friend to those of us on the Conservative Benches. The hon. Gentleman is right: how will the Government implement that proposal, other than by using clipboards and intruding unnecessarily into every family business?

I welcome the decision by the Chancellor to delay the proposals by a year, but it would be far better if common sense prevailed and they were dropped altogether. The perceived abuse is smaller than Ministers have been told, and as the hon. Member for Taunton suggested, the costs of trying to resolve the problem—economically and, if I may say so to the Chief Secretary, politically—will prove far greater than the benefits the Government seek. Rather than creating a vicious circle by creating new laws and then trying to clamp down on the changes that are made as a result, Ministers should make our tax laws simple, clear and constant. By doing that, they would tackle the root of the problem; they would remove the desire and the opportunity to evade one's obligations. A simpler and fairer tax system is what the UK needs, and I am pleased to say that that is what my party is proposing.

Last Wednesday the Chancellor announced not just the Budget but, as we heard from the Secretary of State earlier, the Government's latest enterprise White Paper. Like his predecessor, the Chancellor talked glowingly

about the importance of small businesses and highlighted a number of policies that he obviously hopes will begin to restore their confidence in him. Well, if I were him I would not hold my breath.

After the last year small businesses have lost whatever faith they may have had in the Government. First came the increase in small company corporation tax, then rising business rates, then an extra £10 billion in new regulatory costs and finally the £900 million capital gains tax bombshell. The result of all that is that from April—in just a few weeks—the tax bills of small businesses will rise by £1,000 million per annum, and from April 2009 they will rise by £1,500 million per annum. Given the economic downturn, why increase tax bills for 99 per cent. of businesses? Given that small businesses employ more than 10 million people, why make their finances worse, just when the economy needs all the help it can get?

As I said, the Budget was accompanied by a White Paper on enterprise. Ministers describe it as a "strategy" but in fact it is the usual new Labour hotch-potch of warm words, photo opportunities and good intentions. To be fair, there are some good points in it—on procurement and invoice finance, for example. I am pleased that the Government finally accept that some small businesses should be exempted from some regulations. For the past seven years, since I have been a Member, Ministers have fought tooth and nail against that principle, but now that they have accepted it we shall see whether they mean what they say.

On female entrepreneurship, we heard from the Secretary of State earlier that it is important to increase the proportion of women who start and run their own firms. I entirely agree. It is a sad truth that British women are only half as likely to run their own firm as their counterparts in America. However, we have heard that language from Ministers before. In the 2005 Budget the Prime Minister, who was then the Chancellor, announced a new women's enterprise task force. We were told that it would turn things round in three years and make demonstrable progress, yet 11 months after the announcement Ministers had not even appointed a chairwoman to run it. With less than 12 months left to undertake the earlier initiative, we have another announcement and another initiative. The truth is that such Whitehall-led, top-down initiatives rarely work, and those that show promise are never given the long-term commitment needed to make a real difference.

In his opening remarks, the Secretary of State for Business, Enterprise and Regulatory Reform proudly pointed to the rise in the number of small companies as a sign that our entrepreneurial culture is increasing. However what he did not say is that the increase has been slower than the growth in our population. The start-up rate has actually fallen, from 3.2 per 1,000 people in 1997, to only three per 1,000 last year. The other critical measure of that activity—total entrepreneurial activity—has also dropped, from 7.7 per cent. in 2001 to 5.8 per cent. in 2006. Despite what the Secretary of State claims—and, I suspect, hopes—the culture of entrepreneurship is reaching a smaller and smaller proportion of the country; it is a culture that is shrinking, not spreading.

Similarly, small firms are growing more slowly. All the leading independent statistics show that the proportion of small firms achieving turnover at the critical figure of £1 million after five years has fallen—from 48 per cent. in 1997 to only 16 per cent. in 2006. In fact, in the UK it now takes an average of 14 years for a company to reach a £5 million turnover.

Of equal concern is the fact that fewer small businesses employ people than 10 years ago. The most recent statistics show that the figure has fallen to only 28 per cent. of SMEs. In other words, after 10 years of Labour Government, seven in 10 small firms no longer employ people. When Ministers produce whatever their next set of employment regulations may be, they might just want to reflect carefully on why fewer businesses want to employ people.

The Chancellor and other Ministers talk about promoting small businesses, but their policies are holding them back. While DBERR—the Department for business—is publishing its enterprise White Paper, the Treasury is simultaneously raising small firms' bills by £1 billion. The sad conclusion, which I hear all the time from the business community, is that DBERR Ministers—business Ministers—are increasingly irrelevant. Last year, when asked about corporation tax rises, the Secretary of State for business merely referred people to the Treasury. He said that he had nothing to say. When the Chancellor announced the capital gains tax rise he did not even consult the Secretary of State for business. What use is a Secretary of State for business and enterprise who is completely overlooked by the Treasury when business taxes rise?

Over the coming months our economy faces a stern test, but I am sorry to say that it is one for which the Government have left us ill-prepared. I want business to prosper and entrepreneurs to thrive, but I fear that with the current incumbents in Downing street—at No. 10 and No. 11—British business and British entrepreneurs will have to compete with one hand tied firmly behind their back.

8.26 pm

Ian Lucas (Wrexham) (Lab): I am grateful for the opportunity to contribute to the debate. I want to talk about the reality of the British economy today, in particular in my constituency in Wrexham in north-east Wales. The reality bears little resemblance to the words of the prophets of doom on the Opposition Benches. The Government's record over the past 10 years in building the foundations for a strong economy is testament to their being a Government of great economic reform.

Today the A380, one of the most magnificent examples of British engineering, landed at Heathrow after its first commercial flight. The wings for the A380 are built at the Broughton plant in north-east Wales and are testament, first, to the engineering skill of the people of north Wales but also to the Labour Government's investment in the Airbus company and the British economy generally. That work is also testament to European co-operation, something that the Conservatives certainly do not believe in.

Airbus employs 13,000 people in the UK—about 8,000 at the Broughton plant in north-east Wales. Several hundred people from my constituency work there. In addition to the contribution that the civil

[Ian Lucas]

aircraft sector has made in the past few years. Airbus has announced in the past fortnight that the air tanker project commissioned by the US Government, worth £3 billion, is to be awarded to the European Aeronautic Defence and Space company—EADS—and Airbus. Again, that is a huge vote of confidence in UK manufacturing industry, and it shows the reality of the manufacturing sector in north-east Wales. The sector extends further than aerospace; Sharp, the Japanese manufacturing company, manufactures photovoltaic cells in my constituency and has invested in the manufacture of those cells for export to the UK market. That investment came to the UK in preference to any other country in western Europe because north-east Wales and the UK was the best place to invest, manufacture and export.

The pharmaceutical sector has invested in Wrexham, too. An Indian company, Wockhardt, is investing in the manufacture of pharmaceutical products in Wrexham, and a French company, Ipsen BioPharm, is investing in Wrexham so that it can export to the US market. All those investments have been made in the Wrexham economy in the past five years. The reality for the people of Wrexham is that the rate of unemployment has declined since 1997, when, under the Conservative Government, about 2,000 people in my constituency were registered as unemployed. That figure has halved; it is now just over 900.

The reality of manufacturing industry—I have focused only on manufacturing—in my constituency under the Labour Government is that it has been successful, has developed and strengthened, and is prospering. We should listen less to the doom-mongers on the UK economy and recognise progress when it has been made. I say quite candidly to the Conservatives that it would be extraordinary to listen to their lectures about running the economy. I was born in the same town as my hon. Friend the Member for Blaydon (Mr. Anderson), I think, and I experienced what a Conservative Government did to the UK economy between 1979 and 1997. I remember when, in the early 1980s, 3 million people were unemployed. I was seeking work in the north-east at the time, but I went to Germany to work during a summer holiday because there were no jobs available in the north-east. Unemployment was at 3 million not just once but twice under the Conservative Government. Lives were wasted and set aside for 18 years, so I do not listen at all to the arguments put forward by the Conservatives; they can give no lectures whatever about the economy and how to run it.

Mr. David Anderson: Does my hon. Friend agree that the unemployment experienced in the 1980s was not an accident, but was the result of a policy of which the Conservatives were actually quite proud?

Ian Lucas: Absolutely, and it was a policy of waste. We should remember that during all those years when 3 million people were unemployed, each of those individuals was being paid benefits. A dependency culture developed, and we are still struggling with it today. There are individuals who were put on the incapacity benefit scrapheap by the Conservatives and who are still on incapacity benefit today. That dependency culture cannot be cured overnight; we are working to defeat it, and we are making real strides towards doing so. The most important stride that we are taking is in creating an economy where work is available—something that did not happen under the Conservative Government.

Mr. Philip Hammond: If the hon. Gentleman does not want to take any lectures on the UK economy from us, what does he think about Alan Greenspan, the Prime Minister's adviser, who says that the UK economy is "more exposed" than that of the US to financial instability, or Goldman Sachs, the Treasury's appointed adviser, which says that

"The UK is slowing more than the rest of Europe",

or the OECD, which says that the slow-down will be larger in the UK than elsewhere?

Ian Lucas: I should be delighted to invite the hon. Gentleman to visit my constituency of Wrexham, with which I believe he has some familiarity. I invite him to see the prosperity, which is built not on public sector investment—although there has been such investment in Wrexham—but on the inward, private-sector investment in north-east Wales that I described. Retail investment is going into the north-east Wales economy from the private sector because it has confidence in the UK economy and the people who are bringing prosperity to the manufacturing industry and the area.

I refer to one specific proposal in the Budget relating to child poverty—

Stewart Hosie: Before the hon. Gentleman moves from manufacturing to child poverty, may I say that I welcome what he said about north-east Wales and I am delighted for his constituents working in those industries, but he should not be complacent about the 650 employees at NCR who were laid off last year or the 100 at Michelin in my constituency, the closure of the Yorkshire Fittings plant in my constituency, the wheelchair company that moved production to China, and Patak's Foods? There is not a universal picture. A million manufacturing jobs have been lost, including 1,100 across Dundee in the past year. The hon. Gentleman must realise that the picture that he paints is not uniform across the UK.

Ian Lucas: I speak of my constituency, and I realise, of course, that companies close in all constituencies, including mine, because we live in a globalised economy. We must confront the challenges of competitiveness and low-wage economies. We must progress and constantly improve our manufacturing base. The way forward has been shown by companies such as Airbus and Sharp UK, which have invested in high-technology products.

I could also speak about the development of the apprenticeship network, which is strong in north-east Wales. Apprentices were a lost breed under the Conservatives, but are now resurgent. When I go to my local further education colleges, I see local companies employing apprentices and planning and investing in the future. That is how we will compete as an economy in the future.

I wish to mention a specific aspect of the Budget that I welcome. Mrs. Sheila Harrison, who is the manager of my local citizens advice bureau in Wrexham, approached me last year and suggested that it would be a major step

forward in tackling child poverty if the Government considered disregarding child benefit for the purposes of calculating housing benefit and council tax benefit. At that time, I wrote to the Treasury and to the Department for Work and Pensions. I also tabled a parliamentary question and established that it would cost about £300 million to implement that. I tabled an early-day motion, which I am sure had an inordinate effect.

I was delighted to read in the Budget that from next year the Government will implement that very proposal. Mrs. Harrison rang me up, having been apprised of it by the citizens advice bureau network. I take this opportunity to thank the Government for taking the wise words of advice from Mrs. Harrison. No doubt other individuals made representations to that effect. It is heartening indeed to hear that we have a Government who are committed to eliminating child poverty by 2020 and halving it by 2010, and who are taking steps year by year in that direction.

The difference between the present Government and the Conservative Governments is that when the Conservative Governments were in power, they did not even regard that as a goal that they wished to achieve. I am proud that we have a Government who are creating manufacturing industry that is developing and prospering in north-east Wales, and who are confronting and attacking child poverty in our midst.

8.38 pm

Mr. Philip Dunne (Ludlow) (Con): It is a—I was about to say a pleasure to follow the hon. Member for Wrexham (Ian Lucas). I note that in many of the references that he made to the success of Wales in attracting high-tech manufacturers he did not give credit to the Welsh Development Agency and the political skill that Welsh Labour MPs in particular have in persuading it to support business in Wales. On the other side of the Welsh border we notice that to our cost. The hon. Gentleman is to be congratulated on the role that he plays in that.

Ian Lucas: On a point of information, I should point out that the Welsh Development Agency no longer exists.

Mr. Dunne: I am grateful for having been brought up to date on the extent to which Wales keeps ahead of other regions of the country in developing its support for industry.

I should like to focus most of my remarks on the macro aspects of the Budget. Many speakers have discussed the extent to which the Chancellor is in denial of the events surrounding this country. So concerned has he been to convince us that all is well with his stewardship of the economy and that all is stable in his hands, that he failed to recognise—and barely mentioned in his speech—that the stable door has been blown open by the financial storm coursing around the globe, and is left flapping in the wind.

In opening the debate, the Secretary of State for Business, Enterprise and Regulatory Reform repeated the mantra about stability; apparently, the problems are all the Conservatives' fault for talking the economy down. However, we did not cause the credit crunch, as was generously acknowledged in one of the Labour contributions. We did not cause the crisis; nor are we talking it up. However, we do believe that the Chancellor needs to wake up to the consequences of these unprecedented events, as many commentators warn that he should.

What is the Chancellor's reaction to the shocks? In his speech last week, he talked up the resilience of the UK economy and today Ministers and the few Back Benchers who have turned up to support the Chancellor have been parroting that mantra too. However, what is there to be so resilient about in an economy whose house price inflation is among the highest and most resilient—in that sense—in the world? Our household debt levels are at record highs and our consumer saving ratios are at record lows. The day after the Budget, Roger Bootle, a leading economist, wrote:

"Our housing market is one of the most over-valued; our consumer saving ratio has plunged to levels only exceeded by the US; we are heavily exposed to the global economy, which is threatened; we are heavily dependent upon international financial activity, which could be severely hit; and our scope to take expansionary fiscal action is limited by our recently lax fiscal policy. On balance we are relatively badly placed to weather the storm."

That says it all—far more than the Chancellor has acknowledged in his assessment of how we are placed to cope with the financial crisis.

It is not only our own economists who are spreading cautionary tales. The managing director of the International Monetary Fund, Dominique Strauss-Kahn, was quoted in the papers as saying:

"It's a problem for economic growth. We clearly face a situation in which the risks to economic growth are more and more serious."

I hope that he passed that message on to the Prime Minister and the Chancellor when he met them today.

Today, the Bank of England published its latest quarterly review. In commenting on activity in the sterling financial markets in February, it pointed out that the

"difficult conditions in bank term funding markets would continue for some time, which would be likely to lead to a reduction in the supply of credit to the economy generally...This could act as a drag on economic activity, and in turn could prompt further deterioration in the quality of banks' assets and limit their ability and willingness to lend".

One example of the speed of change is that the central forecast in the Budget is for house price growth of 2.5 per cent. per annum. Figures for last month show that house prices have already declined, after five successive months, to an annual rate of only 1.4 per cent. So, before the year has even begun, we are considering an optimistic annual house price assumption in the Red Book.

Where does that leave Government finances and the Chancellor's forecasts? It leads to an overwhelming lack of credibility. The Chancellor chose to downgrade his GDP growth range for 2008 to a range of 1.75 to 2.25 per cent., rising back to trend after 2009. However, he did that on the back of consensus economic forecasts, which looked to 1.5 to 1.7 per cent. The bottom of the Chancellor's range for growth in GDP in the year that is about to start is marginally above the consensus average. Independent commentators, who gave evidence to the Treasury Committee on Monday, raised particular anxieties about that. Bridget Rosewell

[Mr. Dunne]

from Volterra Consulting described the Chancellor's forecast as complacent. She said:

"The particular form of optimism that I find most disturbing was not that overall headline number, where even the bottom end of the range is above the current consensus, which seems odd, but also the discussion about the UK's resilience to economic shocks and how this is expected to have increased. It was the complacency surrounding that which I found particularly disturbing."

What does that forecasting optimism mean for the public finances? The Government, especially the Chancellor's predecessor, have form on forecasting the public finances. Every year since 2003—seven years in a row—the year in which public finances cross over into Budget surplus has been pushed out. In the 2003 Budget, it was predicted to happen in 2005-06. Only last year, in the 2007 Budget, the date was pushed to 2008-09. The pre-Budget report, which was published only last October, pushed it to 2009-10 and the Red Book now says that it is to be 2010-11.

The public sector net debt, excluding Northern Rock and the international financial reporting standards—IFRS—changes, to which my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) referred, has increased by £20 billion over the period of the Red Book. What impact does that deterioration in public finances have on the Government's famed sustainable investment rule? It places it perilously close to a breach. Table C5 on page 184 of the Red Book shows that public sector net debt reaches 39.8 per cent. of GDP. How much headroom does that give us? Headroom of 0.2 per cent. is equivalent to only £2.8 billion. That compares with a £13 billion to £14 billion average forecasting error since 2003. That leaves a high probability of a breach—a 50:50 chance, according to the experts who spoke to us on Monday. Where is the discussion about what happens in those circumstances in the Chancellor's explanation of the Budget? It appeared nowhere in his speech or in the Red Book. The Chancellor is crossing his fingers that it will not happen.

Of course, the figures completely exclude the impact of Northern Rock, which the Office for National Statistics declared will have to be added to the public debt yet the Chancellor conveniently decides that he can ignore. The ONS calculated the Northern Rock debt at 30 June as adding 6.7 per cent. to the public sector net debt as a proportion of GDP, blowing us way off the sustainable investment rule. Yet that has not been discussed and there has been no explanation of what the Government will do.

The figures also exclude the impact of moving the public accounts on to an IFRS basis. The Government have agreed to that but decided to defer doing it for another year. That is likely to add a further £30 billion of PFI off-balance-sheet debt to the public sector net debt. Again, there was almost no discussion of that in the Chancellor's presentation.

Let me consider briefly the specific measures that the Chancellor proposes. We are debating a tax-raising Budget. Much has been made of the fact that it is fiscally neutral and, technically, it is, but only for the year that starts in April. Measures to be introduced in April 2009 raise just short of £800 million and those to be introduced in April 2010 raise a further £1.8 billion. When taken with measures that were announced in the Budget in 2007 and since, the figure rises by a further £1 billion to £2.8 billion in the third year of the Budget, so we are talking about a tax-raising Budget, not a tax-neutral Budget.

By and large, the measures in the Budget are puny—that point was well made by the hon. Member for Taunton (Mr. Browne). Of the 52 measures set out in table A.1, which shows the fiscal impact of the policy decisions in the Budget, 42 have a fiscal impact in the first year of plus or minus £25 million or less. Indeed, many have either a zero or an insignificant impact. By 2010-11, some 34 of those 52 measures will continue to have a minimal impact. Those measures amount to tinkering at the edges and have little significance on the national accounts.

Overall, the measures are also regressive. Almost everybody earning less than £18,000 will be worse off under the proposals, particularly if they drink, smoke or drive. The more significant measures have been shambolically introduced. Other hon. Members have talked about the capital gains tax changes, which were announced in the pre-Budget report. It was then announced that there would be a rethink, but the rethink was delayed. Finally, the proposals were confirmed a few weeks ahead of the Budget, giving business men very little opportunity to arrange their affairs before the end of the tax year.

The Secretary of State for Business, Enterprise and Regulatory Reform had the gall to argue that the Budget is a Budget for entrepreneurs that, to use the expression that I think he used, abandons short-termism. In fact, the Government's capital gains tax proposals abandoned the very incentives that encouraged long-term investing. Is it any wonder that the Government's reputation for economic competence has now been exposed as blowing in the wind?

8.52 pm

Paul Flynn (Newport, West) (Lab): It is a pleasure to follow the hon. Member for Ludlow (Mr. Dunne), which is part of Wales's Sudetenland, as he knows, not that we have any plans to re-conquer it. I am sorry that I did not hear an expression of the spirit of generosity that we have seen from the English rugby XV, following recent events on the other side. We have heard what seems to be a Meldrew approach to the Budget. I was also delighted recently to see something that I had not noticed before—that the English rugby team has "O" and "2" on its kit. Apparently, that is the answer to the question of how many times certain countries have won the triple crown in the past five years: two times for Wales and zero, sadly, for England. However, it is nice of England to do that for us.

The hon. Member for Hertford and Stortford (Mr. Prisk), who has just left the Chamber, made some selective points about entrepreneurship. It is only fair that I should cite some facts about entrepreneurship that he unfortunately omitted. The UK is now third in the G8 ranking for early stage entrepreneurship, which is very creditable, up from fifth in 2001. That is a considerable improvement. The proportion of the working age population expecting to start a business in the next three years has increased by 70 per cent. Again, that is very creditable and a good story. The proportion of the population who believe that they have the skills to start a business has increased by a quarter, from 40.2 to 49 per cent.

That is extremely good news, and I do not see why the Opposition should be blind to it. I delight in the fact that in my constituency and in my country, Wales, there is now a spirit of entrepreneurship that did not exist historically. In the past, Wales has seen itself as a country of employees rather than of employers—a country with the branch factory rather than the headquarters.

Let me give just one example of a company in my constituency that is firmly rooted in Newport and Wales. It is a firm with enormous promise named Lifeforce, which has world patents on a process for parking the immune system—that is, extracting the white cells from blood transfusions and placing them in three different locations, to be stored for a lifetime if necessary. They can then be brought out for use if the person's immune system is under attack or has been damaged by chemotherapy or by a disease such as AIDS. The white cells can then be used to re-infuse the healthy immune system into the body. This is an exciting development. It would have enormous repercussions for our health if we could re-infuse a healthy immune system into the body when it comes under attack.

The Nobel prize was won by Martin Evans at the university of Cardiff. He is a specialist in mammalian genetics. That, too, has great promise for the future of science and our health. We need to capitalise on those developments. Lifeforce, the firm that I mentioned earlier, already has a link with the Bill Gates Institution and with a firm in America and another in Germany. Its procedure is now a practical proposition that has been approved by the Medicines and Healthcare products Regulatory Agency in this country and by the Food and Drug Administration in America. Those two regulatory bodies have given their approval to its science, which could be of great benefit to our future life expectancy, and it has commercial prospects as well.

I should like to suggest a way in which the Government could raise money through the Budget. Sadly, the proposal is not in this one, although I have suggested it in the past. They could raise a good £2 billion in a manner that would be painless as well as popular and just. It involves the national insurance scheme, which is very unfair at the moment. People like me, who are in the happy position of having reached retirement age but are still working, pay no national insurance contributions. However, people in this happy situation have reached a time of life at which we could certainly afford to do so, but those of us in that position pay nil per cent. Most hon. Members pay about 1 per cent., because our earnings are high, but people at the bottom end of the pay scale can pay up to 10 per cent. of their income in national insurance contributions. It is a hugely unfair tax.

If they wished, the Government could change the law so that those who were still enjoying the pleasures of a working life after reaching retirement age would continue to pay national insurance contributions. Indeed, they are receiving some of the benefits of the national insurance scheme that others might not live long enough to enjoy. That would be a just measure, and it would raise the sum of £2 billion. Those fortunate enough to be in that happy position would find such a tax acceptable.

The national insurance scheme is in a bizarre situation, because it has been building up huge surpluses. The actuaries insist that there should be a surplus of about £17 billion, to allow for a serious increase in unemployment. However, we have built up a surplus that is way beyond that amount in each year over recent years, and we now have a surplus of about £48 billion. If we were to continue in that way, by 2013 we would have a surplus in the national insurance scheme that could fund a rescue in another Northern Rock crisis, if there was one.

The current situation is unfair because the money is being used as though it were ordinary taxation revenue. It is being used in the same way as other taxes are used, but it has been raised unjustly, because it is a tax that falls more heavily on the poor and the low paid than on those who are very well off. I would like those on my Front Bench to consider my proposal and to change the whole nature of the national insurance scheme so that we no longer build up those surpluses.

A great deal has been made by the Leader of the Opposition of last year's UNICEF report that was critical of the progress that had been made on tackling child poverty in this country. It is a great shame that the same people who exaggerated the effect of that report did not look at UNICEF's report from 2004. It came from the same body from the same source—the Innocenti centre in the Piazza della Santissima Annunziata in Florence—and said that of the 25 richest countries in the world, the country that had achieved most in reducing child poverty was Great Britain. That report was totally ignored by the press. I tried to get some attention drawn to it in an early-day motion, because it had had no coverage whatever, as positive news tends to be something that people do not want to hear. We do not see headlines in the papers about that sort of thing, but it gave impressive recognition of all that the Government had done to take children out of poverty. It is, of course, the negative news that gets the attention.

The leader of the Conservative party recently wondered how we could allow child poverty to happen and how we could have got ourselves into such a position, but given the extent of child poverty under the 18 years of Tory Government from 1979 to 1997, he should be more careful in his remarks. When the Tories came into office, by the same measure, one in seven children were in poverty; but by the time they left office, it was one in three. That is a terrible record of indifference to the relative poverty of those at the bottom end of the scale.

We should also look at certain enterprises that the Government have entered into and we should become more critical of the Chancellor's involvement in the nuclear industry. An extraordinary answer was given to my hon. Friend the Member for Blaenau Gwent (Mr. Davies) a fortnight ago. It revealed that an enterprise that had been opposed by hon. Members in speeches and in early-day motions and by environmental groups such as Greenpeace and Friends of the Earth nevertheless had the support of every party in the House. The amount of money spent on that flawed proposal, on an evidence-free and unscientific basis, was £473 million.

There was no great mystery behind the opposition, because everyone who opposed it said clearly that the

[Paul Flynn]

cause was impossible: it could not work; it was impractical and it had no rational basis. It was intended that the mixed oxide plant at Sellafield would produce 120 tonnes of uranium fuel every year. It has been in full production for five years now, yet it has produced only 5 tonnes—a monumental failure. It is difficult to go back through our industrial history and find an investment that has failed as spectacularly as that, yet we still put this faith in nuclear power—mainly, I think, because most Ministers and others involved in the enterprise feel themselves to be scientifically semi-literate or illiterate and do not question the claims made by the nuclear power lobby. We already know that the bill for clearing up the mess from nuclear power over the long term is something in the order of £73 billion.

The affair reveals the extraordinary gullibility of the House. This is not ancient history either; it happened over the past eight years. It was in the year 2000 that the great debates about the mixed oxide plant were taking place in this House. Every one of the arguments put forward by the environmentalists and others in the House turned out to be justified, and the arguments supported by those on the Front Benches of all parties turned out to be false.

The Lib Dem spokesman mentioned the farming industry earlier, and I would like to make another point about it. There is lobbying at the moment about problems in the farming industry, particularly in pig farming. Almost ignored, however, is the enormous amount of money being made by the grain industry, whose profits went up 70 per cent. one year and nearly 50 per cent. the next year. Those are huge sums. When we talk about additional burdens on the farming industry because of the price of grain, why do we leave out the fact that there have been those huge increases in the incomes of grain farmers on account of that? That is not mentioned—we do not get a morning chorus of whingeing on the "Farming Today" programme about the huge windfall profit enjoyed by grain farmers. If sections of the farming industry are doing exceptionally well, there should be a virement to those sections that are under pressure. We should not continue uncritically to support the whole farming industry as we have in the past. The traditional subsidies are no longer supported, particularly given their effect on the developing world countries. Sadly, one man's subsidy is another man's poverty in another part of the world.

Opposition Members have mentioned the Office for National Statistics. An official launch will be held by Michael Scholar to celebrate the ONS's new independence. It was suggested that the Act that introduced that independence was of great importance, which it is, given the cynicism about national statistics. Under that Act, the full independence of the ONS will be guaranteed. The office is located in my constituency, and I remember being approached many years ago by statisticians who felt that their work and their integrity were being undermined by a previous Prime Minister, who was moving the ONS from one Department to another, and who had a vested interest in seeing that the figures might be fiddled in some way. I had a letter from Margaret Thatcher at the time, saying what an unworthy thought that would be. But there was that possibility and suspicion throughout that time. I look forward to the fact that when we debate these issues in future, we will know that the statistics provided by the ONS are genuinely independent and objective.

9.7 pm

Peter Bottomley (Worthing, West) (Con): I shall not speak for long.

Labour Members have been talking about employment and employment rates. Much to most people's surprise, I spent six years as a junior Minister ending in 1990, when the employment rate was higher than it is now—that is my guess from the charts in the Red Book. I shall speak mainly, however, about trying to get more consistency into the Red Book.

Will Ministers discuss with the Statistics Commission whether it is appropriate to have such odd runs of years in its figures? Obviously, figures on projections for population growth over the next 30 years are rather different from those on the balance of payments over the past 30 years. However, I shall give some illustrative examples, which will not be very exciting.

On page 11, in charts 1.1 and 1.2, on Government expenditure by function and Government receipts, it would be useful to have a run showing percentages, to illuminate how we are letting Government spend money. On page 18, chart 2.1 on inflation performance and expectations from 1990 to 2008 gives an 18-year run of years. Incidentally, in some of the graphs, it would be useful to have a log projection, rather than just a linear one, when the figures have changed significantly.

I will not go through the whole list, although I would if I had more time. The chart on meeting the golden rule has a 14-year run of years, and the chart on protecting investment has a 33-year run of years, I think, unless I have misread my own figures. On page 29, the chart on meeting the sustainable investment rule has a 16-year run of years. So it goes on. I could go through a whole series.

I suggest that Ministers ask whether those different runs of years were put in because they asked for them, or because the officials suggested them. I suspect that political advisers said before Ministers saw them, "I don't think the Minister would want people to see that. If you don't show the Minister, they can deny that they were the ones who made the decision." I ask for an explanation of the run of years, preferably in advance of the Red Book coming out.

Instead of just having a list of tables and charts at the back of the Red Book, it would also be useful to have a list of boxes. I should like to see an index, and in particular I should like to see the cost of the Red Book reduced from £45 to about £20. We do not need the photographs, although it is nice to see ethnic balance. Of the 10 people pictured, five are not white, five are, and there is one random hand floating around—but we do not need that kind of thing, however balanced it may be.

Perhaps Ministers could ask an archivist to show them a Red Book produced, say, 30 years ago, and ask what the cost would be of printing it in that format. They would find that it would be substantially lower, which would reduce the costs incurred by those who want to see what we are doing.

I should like to know whether a chart is available to Ministers showing where the economic cycle starts each year. We know that there have been changes, so why not provide the information? I also wish that the Government had managed to include a chart explaining the retail prices index. The consumer prices index is a separate thing: we know perfectly well that it is at 2.5 per cent., although it would have been at 2.2 per cent. if the methodology had been different. The retail prices index is at 4.1 per cent., which matters more to my constituents. The information that the price of strawberries went down in February is not much use to them, nor is information about the drop in the price of hobbies and games. They are interested in the real prices of real things, and the retail prices index matters to them.

9.11 pm

Greg Clark (Tunbridge Wells) (Con): It is a pleasure to follow my hon. Friend the Member for Worthing, West (Peter Bottomley), whose speech was admirably concise. I am grateful to him for that.

I want to say something about child poverty, which has featured in speeches by Members on both sides of the House since the beginning of the Budget debate. On Thursday, a source of contention between the two Front Benches was how Government and Opposition could aspire to reach the 2010 as well as the 2020 target. I think it both possible and desirable to eradicate child poverty in a way that fulfils the Government's commitment. If we define 60 per cent. of median earnings as the poverty threshold, it is entirely possible to raise people from below that level to above it.

There are two ways of doing that. First, there is what I would call the sustainable way. That involves creating circumstances in which people's earnings carry them from below the threshold to above it. The second way is to regard child poverty as an entirely fiscal phenomenon and to make financial transfers from one group to another, thus topping up poorer people's incomes and raising them above the threshold. That is not a sustainable method, and I think we should draw a distinction between the two. Our ambition to eradicate child poverty should go hand in hand with enabling people to stand on their own two feet, and to earn enough from the product of their labours to sustain themselves and their families.

I find it slightly depressing that in recent weeks the debate about child poverty has concentrated purely on the fiscal transfer, as if that were the only possible way of addressing the problem. If, through a wave of the Chancellor's magic wand in subsequent Budgets, we were to increase the contribution of state benefits to take everyone who is currently below the 60 per cent. level above it—so that, technically, poverty would have been abolished—would we see an absence of all the social problems that we associate with poverty? Absolutely not. Many of them would continue to exist. The speech made today by the right hon. Member for Darlington (Mr. Milburn) made it clear that poverty is as much a symptom of other social problems as it is a self-contained phenomenon to be abolished. We need a more sophisticated understanding of it.

No one has captured that point better than my right hon. Friend the Member for Chingford and Woodford Green (Mr. Duncan Smith). He identified a range of contributors to child poverty, from poor housing through poor education and dependence on drugs to family breakdown. Those are the issues that we must tackle if we are to make a sustainable dent in child poverty and, ultimately, eradicate it.

This should not be an issue of contention between both sides. One of the remarkable contributions of the right hon. Member for Darlington today was to suggest that we take a broader view. In that, he is consistent. I was struck by a speech he made recently in which, like today, he quoted Professor Amartya Sen, the Nobel prize-winning economist who has noted that social equality is best tackled if we tackle the root causes not the symptoms. The right hon. Gentleman said that that must mean moving beyond simply correcting low wages and family poverty after the event towards policies that spread opportunity and help people realise their own aspirations for progress. Correcting low wages after the event should not be enough. It might be a temporary palliative, but we should have higher ambitions.

Peter Bottomley: I am sure that the right hon. Member for Darlington (Mr. Milburn) is right to say that we need to go beyond trying to make sure that when people start having children, when their incomes are low and their needs high, money helps, but is not it odd that a Nobel prize winner can be quoted with approval yet when Keith Joseph said roughly the same thing, the whole of the media and the Labour party jumped on him?

Greg Clark: As my hon. Friend points out, times change. I welcome the conversion of the right hon. Member for Darlington to the cause. At the moment, the debate is all about precisely what the right hon. Gentleman suggests we avoid doing: correcting low incomes after the event, rather than tackling the root causes. Last year 2.6 million families received tax credits, excluding the family element of the child tax credit. The number of people receiving this element of tax credit is double what it was in 2001 and treble what it was in 1997. The consequence is that 1 million children are above the poverty line by less than they receive in tax credits. Everyone must be relieved and grateful that they have been put above the poverty line and that their circumstances are improved, but do not let us pretend for one moment that the problem of child poverty has been solved. It has been masked or disguised. Those 1 million children are effectively in poverty and the state is intervening to drag them above the line. That is not a sustainable recipe. They need tax credits to escape poverty, so poverty has not diminished in that sense.

The Chancellor has a golden rule and a sustainable investment rule—a golden rule suggesting that we borrow only to invest, backed by a sustainable investment rule that makes sure that borrowing does not reach such a high proportion of national income that it dominates it. In tackling child poverty, we should have a rule that says that we must eradicate child poverty, but that the means of doing so should come from income and the ability of people to earn for themselves. That is the only true sustainable means of tackling child poverty. That makes economic and personal sense for the people concerned. It makes economic

[Greg Clark]

sense, because if we are to compete internationally the idea that we permanently have a sub-optimal equilibrium of a payment running into many billions of pounds that we have to sustain to keep society together is not acceptable.

That is the equivalent of the losses of the nationalised industries during the 1970s, when we accepted that companies such as British Steel and British Leyland could not possibly earn enough in their markets to sustain themselves and had to be given a permanent subvention from the Government. It is the equivalent today of the common agricultural policy, where rather than just protecting the incomes of farmers in times of volatility, it is permanently acting as a tax on every taxpayer in the EU and on the consumers of agricultural products.

These are measures that were meant to be temporary but have become permanent, and they all cost. If we are to be competitive, we must not get back into the way of thinking that these permanent drains on our resources are somehow acceptable. They should be temporary. Our ambition must be to get people back into jobs by equipping them with skills, incentives and motivation so that we regard it as a failure if, having eradicated child poverty in 10 years' time, we have not also made sure that that was down to the sustainable abilities of people to earn their income, rather than transfers from the state.

9.19 pm

Mr. Philip Hammond (Runnymede and Weybridge) (Con): This has been an interesting debate, although it has not been particularly well attended by Labour Back Benchers. We started with 11 of them when the Secretary of State stood up, and at the low point of his speech we were down to six. He took what might be regarded as a sensible approach in the circumstances: he adopted the micro-economic approach to analysing the Budget. He focused on the enterprise White Paper, which some in the business community might think of as being akin to fiddling while Rome burns. He spent 20 minutes explaining the details of the well-meaning but rather small-scale proposals in the White Paper, when most of his audience were more concerned about the macro-economic backdrop, which seems to be deteriorating by the hour. Interestingly, he told us that the Government wanted to ensure access to finance for entrepreneurs, but then supported the slapping of an 80 per cent. tax increase on business angels. We know that he fought the cause internally, but ultimately the clunking fist won.

My hon. Friend the Member for Rutland and Melton (Alan Duncan) countered the Secretary of State's narrow approach by focusing on the macro-economic backdrop to the Budget. He also reminded the House that following the Budget 73 per cent. of people believe that it will contribute to a downturn in the UK economy—perhaps showing us that the man in the street has a better grasp than the man in the Treasury, and also perhaps accounting for the recently published opinion poll showing that Labour's standing on economic competence has fallen from 7 per cent. before the Budget to minus 8 per cent.—in other words, there is an 8 per cent. Conservative lead following the Budget.

The hon. Member for Taunton (Mr. Browne)—who has returned to the Chamber just in time to hear my next remarks—made an excellent speech. He described the Budget as a Budget with a hole, because the most important measures—the income tax changes—were not in it. He pointed to a lack of purpose or any sense of vision in the Budget, and he contrasted it with the Budgets and speeches of the big beasts who have occupied No. 11 in the past, comparing what they did with this Chancellor's focus on the possibility of introducing a plastic bag tax at some time in the future. He described the Budget as a humiliation for the Chancellor—a series of micro-announcements that he was forced to make to pad out the allotted 50 minutes, with £1 million here and £1 million there. He also gave a highly entertaining, but completely inaccurate, list of supposed Conservative policies, and I am thinking of seeing whether we can book him as an after-dinner cabaret turn for a future Conservative party conference.

The right hon. Member for Darlington (Mr. Milburn) observed, with what might be described as classic understatement, that mid-term Budgets are never easy. He also described the Chancellor's approach as calm, which is perhaps the friendly-fire version of the description of it as soporific by the hon. Member for Taunton. However, the right hon. Gentleman made a thoughtful speech, in which he focused on the need to support wealth creators—although when he did so, not all Opposition Members were quite sure that he was taking along with him on his journey the right hon. Member for Holborn and St. Pancras (Frank Dobson), who was sitting next to him. The right hon. Member for Darlington also confirmed candidly that the relationship between business and the Government had been sorely tested over the past six months, and he called for a renewed focus on social mobility, which certainly all Conservative Members would agree with. He pleaded with those on his Front Bench to ensure that the Government focus on being an empowering Government, rather than a controlling one. I am sure that the Secretary of State would be happy to accede to that, but I am not so sure whether the Prime Minister will have any truck with it.

My right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) made an excellent speech, agreeing with the right hon. Member for Darlington, but he described the Budget as a mini-Budget that did not move us any nearer to achieving any of the laudable goals that the right hon. Gentleman aspired to. My right hon. and learned Friend also set out a critique of the complacency in the Chancellor's analysis of the strengths of the UK economy. He also contrasted the rapid resolution at Bear Stearns over the past 72 hours with the prolonged agony of dithering indecision that we have been forced to ensure as the Chancellor faced the Northern Rock crisis. He left us with an enduring and charming cameo image of the Chancellor presenting his Budget as the boy stood on the burning deck whistling the tunes of his predecessor.

Sadly, the Chancellor is not here. He would probably be interested to hear the prediction made by the right hon. Member for Coatbridge, Chryston and Bellshill (Mr. Clarke) that we face a "winter of discontent" ahead. The Chairman of the Public Accounts Committee, my hon. Friend the Member for Gainsborough (Mr. Leigh), reminded the House that

efficiency savings are easy to predict but difficult to deliver, and pledged his Committee's continued pursuit of auditable efficiency gains.

The prescription of the right hon. Member for Holborn and St. Pancras—more regulation—was predictable. He wanted that applied to banks, markets, credit and mortgages. He took us on a trip down memory lane, describing himself as old-fashioned old Labour—and coining an elegant new description of himself as "heritage Labour". Perhaps he thinks he will be preserved for eternity under that label. All in all, it was a nostalgic performance, reminding not a few of us of his speech in last week's Northern Rock debate.

The right hon. Member for Oldham, West and Royton (Mr. Meacher) made a wonderfully old Labour speech that made the right hon. Member for Holborn and St. Pancras look like a dangerous moderniser. He took us on a tour of Monaco, Liechtenstein and the Canary islands, and he suggested an easy remedy for the Government Front-Bench team. Parroting the TUC line, he told us that the Chancellor could easily collect £40 billion of avoided tax, and lambasted him for not doing so. He helpfully confirmed that, as we have argued, there has never been a time when the Treasury needed big benefits as much as it does now, and he attacked the Chancellor and his predecessor, the Prime Minister, for turning the City into a tax haven, assuring the House that the financial services sector and, as he put it, the so-called knowledge economy, could never replace manufacturing as the mainstay of the British economy.

The right hon. Gentleman very effectively headed off what I believe he thought was going to be an intervention by me by citing to aid his case Winston Churchill's words as Chancellor of the Exchequer in 1929. I suspect that some of my hon. Friends heard the unmistakable sound of flapping white coats as we reached the end of the speech—but that is for them to say, not me.

My hon. Friend the Member for North Essex (Mr. Jenkin) had a high-level economic debate with the right hon. Member for Oldham, West and Royton, after which he spoke about the pernicious effect of the doubling of the 10p rate on some of the poorest pensioners in his constituency. He also pointed out that the Government were repeatedly warned of a coming credit crunch threatening an economy that is increasingly built on debt, both public and private. I apologise if time does not permit me to recall the contributions of all other hon. Members.

I welcome the Chancellor to his place. When the present Prime Minister was Chancellor, he was fond of recounting an old Treasury adage that there are only two types of Chancellor—those who fail and those who get out early enough. He has gone, and the jury is out as to whether he got out early enough. So last Wednesday, it was this Chancellor who had to stand up to admit that at the end of a decade and a half of economic growth, his cupboard was bare, and he had no room for fiscal manoeuvre at a time when our competitors are responding to the economic slow-down by reducing taxes and boosting spending in a classic counter-cyclical response.

It was the Prime Minister who was responsible for the mismanagement of the economy that left the Chancellor with that empty cupboard. The Prime Minister was responsible for the piling up of public debt through the good years while our neighbours and competitors were fixing the roof while the sun shone, paying down debt and reducing deficits—some of them even set aside something for more difficult times to come.

Back in 1995, the Prime Minister wrote:

"Nobody should doubt my iron resolve for stability and fiscal prudence".

Yet it is thanks to his policies that while Ireland and Australia have paid off all their net public debt, and a third of OECD countries are entering the downturn with a fiscal surplus, Britain has the highest fiscal deficit of any country in the world bar Egypt, Pakistan and Hungary, and the highest peacetime non-North sea tax burden.

There is therefore no room for manoeuvre. As a result, when the cost of regulation is rising and the corporation tax rate has gone from being the third most competitive in the EU to the 17th, the Chancellor is imposing an 80 per cent. tax increase on business gains. At a time when his own figures show that business investment is set to fall by two thirds, this Chancellor slaps a tax on it. When families are reeling from the effect of two years of falling real average earnings, rising mortgage costs and soaring prices, they are being hit with a total of £2.8 billion of additional tax burden in this year's Budget, on top of the impact of the doubling of the 10p rate bequeathed to the Chancellor from the Prime Minister's last Budget. Taken with all the other income tax changes announced in the Budget, and even after the tax credit changes, that will leave 5.3 million low-income British households worse off and, as the right hon. Member for North Tyneside (Mr. Byers) pointed out in the debate last week, will also drag another 145,000 people into marginal tax and benefit withdrawal rates in excess of 60 per cent.

Stability, I have to tell the Chancellor, is not only about sound fiscal policy. Stability is also about fostering balanced economic growth. One big problem that we face as we enter this economic slow-down is that our economy is seriously unbalanced, and consequently extremely vulnerable, because of an over-reliance since the beginning of the new century on three key drivers that have delivered between them effectively all of the net economic growth over the past few years. We have had rising public spending financed on the back of mounting fiscal deficits; a soaring housing market that has in turn underpinned a surge in borrowing and fuelled an unsustainable consumer spending boom, on the back of the £1.4 trillion of personal debt that has been piled up; and the dramatic growth of the financial services sector on the back of innovative new financial products.

The Prime Minister could see—and I suspect has been able to see for some time—that the party would have to come to an end. That is why he was so desperate to move next door at the earliest possible date. He will not have foreseen the scale of the credit crunch, leading to the collapse of mighty financial institutions and bringing the boom in financial services to a shuddering halt. But he will have well understood that the debt-fuelled spending boom of British consumers on the back of spiralling house prices had to come to an end. And he knew, too, that his "blank cheque" approach to public spending could not endure,

[Mr. Philip Hammond]

as the current comprehensive spending review demonstrates, with a halving of the growth rate of public sector spending next year.

So Britain enters this period of economic slow-down uniquely vulnerable, with all of the principal drivers of economic growth slowing and the public finances in disarray. Last October, the Chancellor revised upwards his projection of how much he would need to borrow in the coming year to £36 billion, and last week he admitted that in the space of just five months, his estimate had risen by another £7 billion. Even that is almost certainly an underestimate. As my right hon. and learned Friend the Member for Rushcliffe reminded us, for seven years the Government have predicted that the public finances would move into surplus two years hence. Every year, that two years is put off by another year, so like the carrot on the stick dangling in front of the donkey, it is always tantalisingly in the future.

When the Chancellor says that Britain is well prepared for tougher economic conditions ahead because inflation is low, our constituents will wonder what planet he lives on. Does he ever go into a supermarket or fill up a car with petrol? Does someone else write the cheques for his gas and electricity bills? Because in the real world that the rest of us inhabit, inflation is not low and stable; the cost of living is soaring. Bread is up 15 per cent. in a year, eggs 30 per cent., petrol 20 per cent., mortgage interest 12 per cent., butter 36 per cent., and gas and electricity up by double digits in the single month of February—and that is all before the Budget. Of course, the Government are not responsible for the world economic slow-down or the acceleration in global inflation. No one is claiming that they are, although they were quick enough to claim credit when benign world economic conditions delivered steady growth and low inflation powered by the expansion of far-eastern economies over the past decade.

The Chancellor's predecessor, the Prime Minister, is responsible for the woeful lack of preparedness of the British economy after a decade and a half of economic growth. He inherited a strong economy from my right hon. and learned Friend the Member for Rushcliffe, and his stewardship of it coincided with 10 years of sustained low-inflation world growth. Instead of leaving the economy lean and mean, the Prime Minister bequeathed the Chancellor nothing in the cupboard. There is no legacy from the 15 years of economic growth and nothing put by for the rainy day that threatens. The Prime Minister, as Chancellor, did not fix public services, close the skills gap or the productivity gap, or fix the welfare system.

If the backdrop to the Budget looked gloomy last Wednesday, it has darkened significantly over the past 72 hours. There are those outside who thought that the Chancellor's downgrade of his economic growth forecast looked optimistic last week. Today they will be thinking that it looks like dangerous complacency.

I want to put a specific proposal to the Chief Secretary. In normal times, the Treasury, rightly in our view, sticks to the mantra that it makes forecasts of economic growth and fiscal projections only twice a year, in the pre-Budget report and the Budget. Given the scale and speed of the events that are developing around us, and the size of the change in the Chancellor's estimate of the fiscal problem he faces, which he announced last Wednesday, will the Chief Secretary consult the Chancellor and see whether she can assure the House tonight that if the Treasury's internal modelling significantly downgrades his estimate of economic growth, or upgrades his expectation of public sector borrowing, between now and the PBR in November, he will make an interim statement to the House so that Parliament is not kept in the dark on those most crucial issues for the best part of nine months?

Let me turn to the measures in the Budget that the Chancellor delivered. Most have already been well-debated. I detected a familiar pattern. As in previous years, after the Chancellor sat down the facts caught up with the rhetoric and the Budget unravelled. As many of my hon. Friends pointed out, the new tax on gas-guzzling cars, which was painted as an environmental measure, turns out to be a tax increase on seven out of 10 cars on the road—just another burden on hard-pressed families. It is a stealth tax, not a green tax, and there is a bigger percentage increase in the tax on a Nissan Micra than in the tax on a six-litre Hummer.

The pre-Budget spin of a fiscal assault on binge drinking turned out not to be a precision weapon aimed at problem drinking but a carpet-bombing of ordinary moderate drinkers. The tax rises that we heard about, it seems, are permanent, yet the increase in the winter fuel payment is for one year only, echoing the one-year pre-election council tax bonus paid to pensioners in 2005. The education spending announcements came with no new money. The rhetorical commitment to extra money for our fighting troops in Iraq and Afghanistan turned out to be a mere accountant's note, transferring money that is already spent from the contingency reserve to the defence budget. The rest was a rehash of the Chancellor's predecessor's Budget announcement and the flotsam that survived the storm provoked by the PBR with a climbdown on non-dom tax, a U-turn on capital gains tax on business and a merciful postponement of the income shifting proposals. The only things that survived intact were the watered-down Conservative policies on inheritance tax and air passenger duty.

For 10 years, the Prime Minister has traded on a carefully cultivated reputation for having delivered economic stability that was actually the product of a benign world economy. But now that the world economy is slowing and inflationary pressure gathering, his chickens are coming home to roost. The public have spotted his squandering of the legacy that he inherited, and how he has wasted the window of opportunity presented by the decade of Chinese-fuelled, low-inflation world growth. Instead of preparing Britain for the future, as other countries have prepared themselves, instead of turning it into the lean, skilled, competitive and productive economy of his early rhetoric, the Prime Minister blew the lot, and some more.

Last Wednesday, we witnessed the miserable spectacle of the Prime Minister's successor as Chancellor being left to pick up the pieces as we enter this economic slow-down less prepared and fit, and more vulnerable, than almost any other country in the developed world. That is Labour's economic legacy for Britain. We are left steering into stormy economic waters, with a deficit that makes Italy look positively parsimonious and a

Chancellor who has been forced to increase taxes when all his counterparts around the world are lowering theirs.

This is a bad Budget for Britain. It burdens millions of hard-pressed families and businesses just as the economy is slowing. It is a Budget that has been dictated not by economic logic but by fiscal necessity. The words and figures of the Red Book projections set out for all to see the economic incompetence of this Government and this Prime Minister in failing to prepare Britain for the challenges ahead.

9.41 pm

The Chief Secretary to the Treasury (Yvette Cooper): We have had a good debate, with generally thoughtful contributions from Members in all parties. I congratulate the hon. Member for Taunton (Mr. Browne) on his speech, and I agree with the hon. Member for Runnymede and Weybridge (Mr. Hammond)—for possibly the only time—that it was probably the most entertaining one to be made today.

I listened carefully to the speech made by the hon. Member for Rutland and Melton (Alan Duncan), who had much to complain about. I listened really hard, but I did not hear him put forward a single alternative policy, or even defend his party's tax plans. However, that may be because the hon. Gentleman—like me and, I suspect, like the shadow Chancellor—is struggling to keep up with what those plans are.

The right hon. and learned Member for Rushcliffe (Mr. Clarke) made some substantive points, and I shall respond to them in due course. In his indomitable style, he lamented what he described as the "puritan" spirit that he said was pervading both public and media. Interestingly, he also called for an end to any pre-Budget consultation and said that measures should be announced and implemented straight away, with none of what I am sure he would call "fashionable" consultation.

My hon. Friend the Member for Selby (Mr. Grogan) made some important points about alcohol and fuel prices. My right hon. Friend the Member for Coatbridge, Chryston and Bellshill (Mr. Clarke) and my hon. Friend the Member for Blaydon (Mr. Anderson) also raised their concern about the impact of rising world energy prices on fuel bills. They welcomed this year's introduction of the additional winter fuel payments for pensioners, but they also made some important points about the energy companies.

In respect of the matters raised by my hon. Friend the Member for Selby, I can tell the House that we have made it clear that we expect energy companies to reduce the differential between prepayment meters and standard tariffs and that we will use Government powers if they do not do so. We also expect them to do more on the social tariff. It is worth about £50 million at the moment, but we believe that it should be closer to £150 million. In addition, I can tell my hon. Friend that, if necessary, we will legislate to underpin the tariff.

My right hon. Friend the Member for Darlington (Mr. Milburn) articulated the importance of global markets, describing both the immense economic opportunities that they offer and the considerable risks that they can pose. He also made clear why it is so important that we work with countries across the world to get greater transparency about the risks involved in global markets so that we can respond to some of the challenges that we face.

The hon. Member for Gainsborough (Mr. Leigh) questioned the proposed efficiency savings. However, I can tell him that the Government have made £20 billion in savings already as a result of a previous comprehensive spending review, and that there have also been tangible net reductions of nearly 80,000 in the civil service work force. That has enabled resources to be redirected to improving services instead.

My right hon. Friends the Members for Holborn and St. Pancras (Frank Dobson) and for Oldham, West and Royton (Mr. Meacher) raised concerns about the impact of decisions in the City on the real economy. The hon. Members for North Essex (Mr. Jenkin) and for Hertford and Stortford (Mr. Prisk) merely complained about pretty much everything the Government have ever done. As my right hon. Friend the Secretary of State for Business, Enterprise and Regulatory Reform pointed out in response to their concerns, there has already been a significant increase in small and medium-sized enterprises since 1997 and the Budget sets out more help to support them in future.

Mr. Prisk: The Secretary of State could not answer my question, but perhaps the Chief Secretary can: if small businesses are so important to the Government, why are the Government increasing taxes on them by £1,000 million over the coming year? In a downturn, what is the economic logic for that?

Yvette Cooper: As Members are aware, we have set out long-term reductions in the tax burden through corporation tax. It is right that there should not be incentives for people to avoid tax and it is right, too, that we should support SMEs, for example through additional work in the public sector, through procurement. The consequences of our decisions are a big and significant increase in the number of SMEs, with a strong boost to enterprise as a result.

As my hon. Friend the Member for Wrexham (Ian Lucas) pointed out in his contribution, businesses have moved to Wrexham, where the result has been economic growth. I pay tribute to him and his constituent, Mrs. Harrison, for their campaign on the child benefit disregard, which alone will help more than 150,000 children out of poverty as well as improving work incentives.

Mr. Jenkin: Can the right hon. Lady explain what effect abolition of the 10 per cent. tax rate will have on the households that pay it? If the rate goes up to 20 per cent. does it not amount to a very large tax increase indeed?

Yvette Cooper: As Members are aware, our changes to the personal tax package, which comes in this year, include reduction of the basic rate to its lowest for 75 years. In addition, we have introduced the national minimum wage, which has raised the wages of people on low incomes, and the tax credit system, which has provided important support. Four in 10 families make no net tax contributions at all as a result of the reforms we have made to help people out of poverty and to become better off.

[Yvette Cooper]

There is continued turbulence in the global financial markets. Banks are not lending to each other in the normal way and we have seen the consequences for one of the largest banks in the US. Every major country of the world expects repercussions as a result. As we predicted last week, the increase in world fuel prices is having an impact on domestic fuel bills and household inflation.

Alan Duncan: Can the Minister list any other countries whose response to the credit squeeze to which she has just referred has been to increase taxation?

Yvette Cooper: If the hon. Gentleman had read the Red Book properly he would understand that in fact we are putting money into the economy over the next 12 months, which is the right thing to do. Borrowing will increase over the next 12 months. We are delaying the introduction of fuel duty. We are putting more money into pensioners' pockets through the winter fuel payment, and in addition we are introducing the lowest rate of basic tax for 75 years.

I appreciate the fact that Opposition Members do not want to hear the truth, but we are putting more money into the economy, which is the right thing to do. We have to make sure that over the long term we bring the level of borrowing down in line with the fiscal rules we have set. We shall continue to take responsible decisions to support economic stability.

Faced with the challenges, the Chancellor set out a responsible Budget. We start in a stronger position than many other countries. Inflation is lower than in the euro area, lower than in the US and far lower than it was in the '80s or '90s. Employment is at a record high. Government debt has fallen since 1997, and borrowing is substantially lower than it was in the early '90s when it hit 7.8 per cent. of gross domestic product.

The Bank of England continues to support stability through its cuts in interest rates and through support for liquidity in the financial markets. We are working with the Bank, the Financial Services Authority, our international partners and the financial sector on ways to get the securitisation markets moving again and to help banks regain confidence in each other so that they begin lending again and get credit markets moving again.

Mr. Crispin Blunt (Reigate) (Con): Will the Chief Secretary to the Treasury explain to the House why, between 2005 and 2008—after eight years of the Prime Minister's chancellorship—the United Kingdom's contribution to the wider European Union position has been to make it considerably weaker, not stronger?

Yvette Cooper: What we have seen is the Labour party's strong commitment to working with our European partners. There have also been improvements in the long-term economic performance of the country. The right hon. and learned Member for Rushcliffe wanted to argue that Britain was somehow the worst placed country in the entire world to deal with the global economic challenges that face us, and as I have said, if he is drawing on his experience in government, one can understand why he came to that conclusion. Certainly, it is true that in the early 1980s and the early '90s Britain was first into recession and slow-down and last out, and had a far deeper recession than other countries across the world.

Mr. Kenneth Clarke: The right hon. Lady should follow the Chancellor and refer to the economy that the Government inherited, not the economy of the late '80s and early '90s. We had come out of the recession and were well poised for growth with low inflation when her party took over. I suggest to her that the opportunity should have been taken to put forward some credible, new fiscal rules for the future, to give realistic estimates for future borrowing and, because of the threat of the economy, to decide that this was not the time to raise corporation tax for small businesses. The whole Budget lacks imagination and any strategy at all for facing the present crisis, and makes misleading statements about the past.

Yvette Cooper: I noticed the right hon. and learned Gentleman trying very hard, in a slippery way, to sidestep and disown the events of the early '80s and early '90s, and trying to cling on to the events of the middle '90s, when he stoked up inflationary pressures, when corporation tax was substantially higher than it is today, and when the tax burden on businesses was higher as a result.

In the early '80s the world economy slowed, but Britain did not just slow—it shrank. That was the case in the early '90s, too. In the early '80s, inflation hit nearly 22 per cent., unemployment topped 11 per cent., and borrowing hit nearly 5 per cent. In the early '90s, inflation hit nearly 11 per cent., unemployment topped 10 per cent., and borrowing hit nearly 8 per cent. For the 10 years before 1997, we had the lowest gross domestic product per head in the G7. Eleven years on, we have seen continuous growth and the largest growth in income per head of any G7 country. We are no longer bottom of the league; instead, we had the second highest level of national income per head of any major economy last year.

Mr. MacNeil: The Prime Minister—the former Chancellor of the Exchequer—used to boast that he had put an end to boom and bust. Does the right hon. Lady agree that those words are hollow today, or does she actually believe that the Prime Minister put an end to boom and bust? Which is it?

Yvette Cooper: The fact is that as a result of decisions that we have taken we have had much greater stability over the past decade than we had previously. For example, when the dotcom bubble burst, and after the 9/11 attacks, world stock markets halved, but while the economies in the rest of the G7 shrank, the British economy continued to grow by over 2 per cent. We face serious global challenges and serious pressures in the financial markets. They will inevitably have an impact on the UK, just as they will on countries across the world, but we start off in a stronger condition than many of our European competitors and many countries across the world, in part because of decisions that were made on issues such as Bank of England independence, which the right hon. and learned Member for Rushcliffe always opposed, and on investing in Britain's future.

Adam Afriyie (Windsor) (Con) *rose—*

Yvette Cooper: I will make progress.

The Budget sets out clear plans to help pensioners and families with children. Even at a time of global challenges, we are able to help the oldest and the youngest. The Budget raises revenue from alcohol duty; that is what makes it possible to help pensioners with their fuel bills this winter, and to help families with child benefit and the child tax credit the year after that. So this is the right time to use that revenue to help pensioners. The average price of a bottle of wine has fallen from the equivalent of nearly £4.50 in 1997 to nearer £4 today. Even after the duty increase, it will still be significantly cheaper than in 1997. So yes, we are giving pensioners an extra payment of £50 for all pensioners and £100 for the over-80s. In 2009 we will use the money to help child tax credit and those on low and middle incomes.

The question for the Opposition tonight is whether they will back that. Will they back the increase in alcohol duty to fund the payment to pensioners this winter? Will they back the increase in alcohol duty to fund the child benefit increase and the child tax credit the year after? Or will they once again turn their backs on pensioners and on families with children, as they did for so many years when they saw child poverty double and a big increase in the number of pensioners in poverty? Will they once again turn their backs on those who are youngest and those who are oldest across society? It is indicative that the one thing that the Opposition have proposed to cut to fund their plans is Sure Start—one of the programmes that makes the greatest difference to those in greatest need. That is what the Conservatives want to cut.

What, then, are the alternatives offered in tonight's debate? The hon. Member for Taunton set out what he thought was the Conservatives' policy. He said that the hon. Member for Runnymede and Weybridge was proposing tax cuts in seven years. He pointed out that we had fought and won a war in less time. The hon. Member for Taunton is doing better than the rest of us if he manages to keep track of the Conservatives' policies. They have said that they think borrowing is too high. They have also called for £10 billion of unfunded tax cuts that would push borrowing even higher.

This weekend the hon. Member for Runnymede and Weybridge said that the Opposition would not cut taxes for an entire parliamentary term, yet just three days before, on Budget day, they called for massive tax cuts to come in next month. It is still there on the Conservative party's website. The shadow Chancellor calls on the Chancellor to bring in a massive series of unfunded tax cuts, including inheritance tax for millionaires in this year's Budget.

Mr. Mark Harper (Forest of Dean) (Con) *rose—*

Yvette Cooper: I will give way to the hon. Gentleman if he can tell me what on earth his party's tax proposals are.

Mr. Harper: I want to ask the right hon. Lady a question about hers. Will she confirm that 5.3 million households—8,000 per constituency—will be worse off as a result of the increase in the basic rate of tax from 10 to 20 per cent.?

Yvette Cooper: I notice that the hon. Gentleman could not answer the question about his party's tax proposals. We have set out a series of changes from which people will be considerably better off than they were in 1997 as a result of this Government. Three days after calling for massive tax cuts next month, his party and its No. 2 were telling *The Sunday Telegraph* that they could not introduce tax cuts for another five, six or seven years. Then, just a day later,

"a source close to Mr Osborne"

told the *Daily Mail* that

"cuts could come at any time"—

Mr. Speaker: Order. We refer to hon. Members by their constituencies, not by their names.

Yvette Cooper: I apologise, Mr. Speaker. I was quoting from the *Daily Mail*, which did not use our parliamentary conventions.

Perhaps the Opposition's party leader could get a grip and set out the party's policies. In his speech on Saturday he said:

"we need to get used to saying 'no' more often than 'yes.' That is the discipline that government demands and that is the discipline that this Party has always understood."

But what else did he say at the same conference? He promised dedicated maternity nurses, scrapping the couple penalty, rewarding management and, because it was in the north-east, a new north-south rail link and the A1 western bypass. He does not know how to say no; he just keeps saying yes. Another day, another Tory policy; another interview, another economic promise. How can the Opposition support stability in the economy if they cannot even deliver stability in their own policies? Back the Budget and back stability in the economy.

Question put and agreed to.

Resolved,

1. Amendment of the Law

(1) That it is expedient to amend the law with respect to the National Debt and the public revenue and to make further provision in connection with finance.

(2) This Resolution does not extend to the making of any amendment with respect to value added tax so as to provide—

(a) for zero-rating or exempting a supply, acquisition or importation,

(b) for refunding an amount of tax,

(c) for any relief, other than a relief that—

(i) so far as it is applicable to goods, applies to goods of every description, and

(ii) so far as it is applicable to services, applies to services of every description.

MR. SPEAKER *then, pursuant to paragraph (3) of Standing Order No. 51 (Ways and means motions), put forthwith the Questions necessary to dispose of the further motions.*

2. Income tax (charge and main rates for 2008-09)

Resolved,

That—

(1) Income tax is charged for the tax year 2008-09.

(2) For that tax year—

(a) the basic rate is 20%, and

(b) the higher rate is 40%.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

3. Income tax (personal allowances for those aged 65 or over)

Resolved,

That—

(1) For the tax year 2008-09—

(a) the amount specified in section 36(1) of the Income Tax Act 2007 and section 257(2) of the Income and Corporation Taxes Act 1988 (personal allowance for those aged 65 to 74) is replaced with "£9,030", and

(b) the amount specified in section 37(1) of the Income Tax Act 2007 and section 257(3) of the Income and Corporation Taxes Act 1988 (personal allowance for those aged 75 and over) is replaced with "£9,180".

(2) Accordingly—

(a) section 57 of the Income Tax Act 2007 (indexation), so far as relating to the amounts specified in sections 36(1) and 37(1) of that Act, and

(b) section 257C of the Income and Corporation Taxes Act 1988, so far as relating to the amounts specified in section 257(2) and (3) of that Act,

(indexation) do not apply for the tax year 2008-09.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

4. Income tax (abolition of starting rate)

Motion made, and Question put,

That—

(1) In section 6 of the Income Tax Act 2007 (rates at which income tax is charged)—

(a) in subsection (1), omit paragraph (a), and

(b) in subsection (2), omit "starting rate,",

and accordingly, in the title, omit "**starting rate,**".

(2) In section 10 of that Act (income charged at main rates: individuals)—

(a) omit subsection (1),

(b) for subsection (2) substitute—

" (2) Income tax on an individual's income up to the basic rate limit is charged at the basic rate (except to the extent that, in accordance with section 12, it is charged at the starting rate for savings).",

(c) in subsection (4), omit the entry relating to section 12, and

(d) for subsection (5) substitute—

" (5) The basic rate limit is £36,000.

(6) The basic rate limit is increased in some circumstances: see—

(a) section 414(2) (gift aid relief), and

(b) section 192(4) of FA 2004 (relief for pension contributions).",

and accordingly, in the title, omit "**starting,**".

(3) Omit section 20 (starting rate limit and basic rate limit).

(4) The amendments made by this Resolution have effect for the tax year 2008-09 and subsequent tax years.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

The House divided: Ayes 304, Noes 242.

Division No. 125] **[10.1 pm**

AYES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Austin, Mr. Ian
Austin, John
Baird, Vera
Balls, rh Ed
Banks, Gordon
Barlow, Ms Celia
Battle, rh John
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blizzard, Mr. Bob
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, rh Andy
Byers, rh Mr. Stephen
Caborn, rh Mr. Richard
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Cousins, Jim
Crausby, Mr. David
Cruddas, Jon
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Curtis-Thomas, Mrs. Claire
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Dai
Davies, Mr. Quentin
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Dunwoody, Mrs. Gwyneth
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, rh Caroline
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, rh Mr. Bruce
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom

Havard, Mr. Dai
Healey, John
Hendrick, Mr. Mark
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hood, Mr. Jim
Hoon, rh Mr. Geoffrey
Hope, Phil
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Kelly, rh Ruth
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCafferty, Chris
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGrady, Mr. Eddie
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, rh Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Moran, Margaret
Morden, Jessica
Morgan, Julie
Morley, rh Mr. Elliot
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, rh Mr. Paul
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Osborne, Sandra
Owen, Albert
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, rh James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, rh Joan
Salter, Martin
Sarwar, Mr. Mohammad
Sharma, Mr. Virendra
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Sutcliffe, Mr. Gerry
Taylor, Ms Dari
Taylor, David
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Twigg, Derek
Vaz, rh Keith
Walley, Joan
Waltho, Lynda
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Wilson, Phil
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woolas, Mr. Phil
Wright, David
Wright, Mr. Iain
Wyatt, Derek

Tellers for the Ayes:
Alison Seabeck and Steve McCabe

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Ancram, rh Mr. Michael
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Bacon, Mr. Richard
Baker, Norman
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Brady, Mr. Graham
Brake, Tom
Brazier, Mr. Julian
Brokenshire, James
Brooke, Annette
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Campbell, Mr. Gregory
Campbell, rh Sir Menzies
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clark, Greg
Clarke, rh Mr. Kenneth
Clegg, rh Mr. Nick
Clifton-Brown, Mr. Geoffrey
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Dodds, Mr. Nigel
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Fallon, Mr. Michael
Farron, Tim
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
Francois, Mr. Mark
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David

Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Holmes, Paul
Horam, Mr. John
Horwood, Martin
Hosie, Stewart
Howard, rh Mr. Michael
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Jones, Mr. David
Kawczynski, Daniel
Keetch, Mr. Paul
Kennedy, rh Mr. Charles
Key, Robert
Kirkbride, Miss Julie
Kramer, Susan
Laing, Mrs. Eleanor
Lamb, Norman
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Mackay, rh Mr. Andrew
Maclean, rh David
MacNeil, Mr. Angus
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McCrea, Dr. William
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moore, Mr. Michael
Moss, Mr. Malcolm
Mulholland, Greg
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
Öpik, Lembit
Osborne, Mr. George
Ottaway, Richard
Paice, Mr. James
Penrose, John
Pickles, Mr. Eric
Price, Adam
Prisk, Mr. Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Angus
Robertson, Hugh
Robertson, Mr. Laurence
Robinson, Mrs. Iris
Robinson, rh Mr. Peter
Rogerson, Dan
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Salmond, rh Mr. Alex
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Steen, Mr. Anthony
Streeter, Mr. Gary
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Matthew
Teather, Sarah
Thurso, John
Tredinnick, David
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Walter, Mr. Robert
Waterson, Mr. Nigel
Watkinson, Angela
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Williams, Hywel
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilshire, Mr. David
Wilson, Mr. Rob
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Noes:
Jeremy Wright and James Duddridge

Question accordingly agreed to.

5. Corporation tax (charge and main rates for financial year 2009)

Resolved,

That—

(1) Corporation tax is charged for the financial year 2009.

(2) For that year the rate of corporation tax is—

(a) 28% on profits of companies other than ring fence profits, and

(b) 30% on ring fence profits of companies.

6. Corporation tax (small companies' rates and fractions for financial year 2008)

Motion made, and Question put,

That—

(1) For the financial year 2008 the small companies' rate is—

(a) 21% on profits of companies other than ring fence profits, and

(b) 19% on ring fence profits of companies, and

(2) For the financial year 2008 the fraction mentioned in section 13(2) of the Income and Corporation Taxes Act 1988 is—

(a) 7/400ths in relation to profits of companies other than ring fence profits, and

(b) 11/400ths in relation to ring fence profits of companies.

The House divided: Ayes 301, Noes 245.

Division No. 126] **[10.16 pm**

AYES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Austin, Mr. Ian
Austin, John
Baird, Vera
Balls, rh Ed
Banks, Gordon
Barlow, Ms Celia
Battle, rh John
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blizzard, Mr. Bob
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, rh Andy
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie

Cooper, rh Yvette
Corbyn, Jeremy
Cousins, Jim
Crausby, Mr. David
Cruddas, Jon
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Curtis-Thomas, Mrs. Claire
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Quentin
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, rh Caroline
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, rh Mr. Bruce
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Hendrick, Mr. Mark
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hood, Mr. Jim
Hoon, rh Mr. Geoffrey
Hope, Phil
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Kelly, rh Ruth
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCafferty, Chris
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, rh Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Moran, Margaret
Morden, Jessica
Morgan, Julie
Morley, rh Mr. Elliot
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, rh Mr. Paul
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Osborne, Sandra
Owen, Albert
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, rh James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, rh Joan
Salter, Martin
Sarwar, Mr. Mohammad
Sharma, Mr. Virendra
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Sutcliffe, Mr. Gerry
Taylor, Ms Dari
Taylor, David
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Vaz, rh Keith
Walley, Joan
Waltho, Lynda
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Wilson, Phil
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woolas, Mr. Phil
Wright, David
Wright, Mr. Iain
Wyatt, Derek

Tellers for the Ayes:
Alison Seabeck and Steve McCabe

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Ancram, rh Mr. Michael
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Bacon, Mr. Richard
Baker, Norman
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Brady, Mr. Graham
Brake, Tom
Brazier, Mr. Julian
Brokenshire, James
Brooke, Annette
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Campbell, Mr. Gregory

Campbell, rh Sir Menzies
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clark, Greg
Clarke, rh Mr. Kenneth
Clegg, rh Mr. Nick
Clifton-Brown, Mr. Geoffrey
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, Mr. Dai
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Dodds, Mr. Nigel
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Durkan, Mark
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Fallon, Mr. Michael
Farron, Tim
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
Francois, Mr. Mark
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Holmes, Paul
Horam, Mr. John
Horwood, Martin
Hosie, Stewart
Howard, rh Mr. Michael
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Jones, Mr. David
Kawczynski, Daniel
Keetch, Mr. Paul
Kennedy, rh Mr. Charles
Key, Robert
Kirkbride, Miss Julie
Kramer, Susan
Laing, Mrs. Eleanor
Lamb, Norman
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Mackay, rh Mr. Andrew
Maclean, rh David
MacNeil, Mr. Angus
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McCrea, Dr. William
McGrady, Mr. Eddie
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moore, Mr. Michael
Moss, Mr. Malcolm
Mulholland, Greg
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
Öpik, Lembit
Osborne, Mr. George
Ottaway, Richard
Paice, Mr. James
Penrose, John
Pickles, Mr. Eric
Price, Adam
Prisk, Mr. Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Angus
Robertson, Hugh
Robertson, Mr. Laurence
Robinson, Mrs. Iris
Robinson, rh Mr. Peter
Rogerson, Dan
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Salmond, rh Mr. Alex
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Steen, Mr. Anthony
Streeter, Mr. Gary
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Matthew
Teather, Sarah
Thurso, John
Tredinnick, David
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Walter, Mr. Robert
Waterson, Mr. Nigel
Watkinson, Angela
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Williams, Hywel
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilshire, Mr. David
Wilson, Mr. Rob
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Noes:
Jeremy Wright and James Duddridge

Question accordingly agreed to.

7. Chargeable gains

Motion made, and Question put,

That provision may be made amending, or making amendments connected with, the Taxation of Chargeable Gains Act 1992.

The House divided: Ayes 300, Noes 244.

Division No. 127] **[10.29 pm**

AYES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Austin, Mr. Ian
Austin, John
Baird, Vera
Balls, rh Ed
Banks, Gordon
Barlow, Ms Celia
Battle, rh John
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blizzard, Mr. Bob
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, rh Andy
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Cairns, David

Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Cousins, Jim
Crausby, Mr. David
Cruddas, Jon
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Curtis-Thomas, Mrs. Claire
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Quentin
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Durkan, Mark
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, rh Caroline
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, rh Mr. Bruce
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Hendrick, Mr. Mark
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hood, Mr. Jim
Hoon, rh Mr. Geoffrey
Hope, Phil
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCafferty, Chris
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGrady, Mr. Eddie
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, rh Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Moran, Margaret
Morden, Jessica
Morgan, Julie
Morley, rh Mr. Elliot
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, rh Mr. Paul
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Osborne, Sandra
Owen, Albert
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, rh James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, rh Joan
Salter, Martin
Sarwar, Mr. Mohammad
Sharma, Mr. Virendra
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Sutcliffe, Mr. Gerry
Taylor, Ms Dari
Taylor, David
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Vaz, rh Keith
Walley, Joan
Waltho, Lynda
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Wilson, Phil
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woolas, Mr. Phil
Wright, David
Wright, Mr. Iain
Wyatt, Derek

Tellers for the Ayes:
Alison Seabeck and Steve McCabe

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Ancram, rh Mr. Michael
Arbuthnot, rh Mr. James
Atkinson Mr. Peter
Bacon, Mr. Richard
Baker, Norman
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John

Beresford, Sir Paul
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Brady, Mr. Graham
Brake, Tom
Brazier, Mr. Julian
Brokenshire, James
Brooke, Annette
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Campbell, Mr. Gregory
Campbell, rh Sir Menzies
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clark, Greg
Clarke, rh Mr. Kenneth
Clegg, rh Mr. Nick
Clifton-Brown, Mr. Geoffrey
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, Mr. Dai
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Dodds, Mr. Nigel
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Fallon, Mr. Michael
Farron, Tim
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
Francois, Mr. Mark
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Holmes, Paul
Horam, Mr. John
Horwood, Martin
Hosie, Stewart
Howard, rh Mr. Michael
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Jones, Mr. David
Kawczynski, Daniel
Keetch, Mr. Paul
Kennedy, rh Mr. Charles
Key, Robert
Kirkbride, Miss Julie
Kramer, Susan
Laing, Mrs. Eleanor
Lamb, Norman
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Mackay, rh Mr. Andrew
Maclean, rh David
MacNeil, Mr. Angus
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McCrea, Dr. William
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moore, Mr. Michael
Moss, Mr. Malcolm
Mulholland, Greg
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
Öpik, Lembit
Osborne, Mr. George
Ottaway, Richard
Paice, Mr. James
Penrose, John
Pickles, Mr. Eric
Price, Adam
Prisk, Mr. Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Angus
Robertson, Hugh
Robertson, Mr. Laurence
Robinson, Mrs. Iris
Robinson, rh Mr. Peter
Rogerson, Dan
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Salmond, rh Mr. Alex
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Steen, Mr. Anthony
Streeter, Mr. Gary
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Matthew
Teather, Sarah
Thurso, John
Tredinnick, David
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Walter, Mr. Robert
Waterson, Mr. Nigel
Watkinson, Angela
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilshire, Mr. David
Wilson, Mr. Rob
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Noes:
Jeremy Wright and James Duddridge

Question accordingly agreed to.

8. Rates of duty on alcoholic liquor

Motion made, and Question put,

That—

(1) The Alcoholic Liquor Duties Act 1979 is amended as follows.

(2) In section 5 (rate of duty on spirits), for "£19.56" substitute "£21.35".

(3) In section 36(1AA)(a) (standard rate of duty on beer), for "£13.71" substitute "£14.96".

(4) In section 62(1A) (rates of duty on cider)—

(a) in paragraph (a) (rate of duty per hectolitre in the case of sparkling cider of a strength exceeding 5.5 per cent), for "£172.33" substitute "£188.10",

(b) in paragraph (b) (rate of duty per hectolitre in the case of cider of a strength exceeding 7.5 per cent which is not sparkling cider), for "£39.73" substitute "£43.37", and

(c) in paragraph (c) (rate of duty per hectolitre in any other case), for "£26.48" substitute "£28.90".

(5) For the table in Schedule 1 substitute—

"Table of Rates of Duty on Wine and Made-wine

Part 1

Wine or Made-wine of a Strength not Exceeding 22 per cent

Description of wine or made-wine	*Rates of duty per hectolitre* £
Wine or made-wine of a strength not exceeding 4 per cent	59.87
Wine or made-wine of a strength exceeding 4 per cent but not exceeding 5.5 per cent	82.32
Wine or made-wine of a strength exceeding 5.5 per cent but not exceeding 15 per cent and not being sparkling	194.28
Sparkling wine or sparkling made-wine of a strength exceeding 5.5 per cent but less than 8.5 per cent	188.10
Sparkling wine or sparkling made-wine of a strength of 8.5 per cent or of a strength exceeding 8.5 per cent but not exceeding 15 per cent	248.85
Wine or made-wine of a strength exceeding 15 per cent but not exceeding 22 per cent	259.02

Part 2

Wine or Made-wine of a Strength Exceeding 22 per cent

Description of wine or made-wine	*Rates of duty per litre of alcohol in the wine or made-wine* £
Wine or made-wine of a strength exceeding 22 per cent	21.35"

(6) The amendments made by this Resolution come into force on 17 March 2008.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

The House divided: Ayes 302, Noes 240.

Division No. 128] **[10.43 pm**

AYES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Austin, Mr. Ian
Austin, John
Baird, Vera
Balls, rh Ed
Banks, Gordon
Barlow, Ms Celia
Battle, rh John
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blizzard, Mr. Bob
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, rh Andy
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Gregory
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Cousins, Jim
Crausby, Mr. David
Cruddas, Jon
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Curtis-Thomas, Mrs. Claire
Darling, rh Mr. Alistair
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Quentin
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Dodds, Mr. Nigel
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Durkan, Mark
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, rh Caroline
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, rh Mr. Bruce
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Hendrick, Mr. Mark
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hood, Mr. Jim
Hoon, rh Mr. Geoffrey
Hope, Phil
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCafferty, Chris
McCarthy-Fry, Sarah
McCrea, Dr. William
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGrady, Mr. Eddie
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, rh Mr. Tony

Meacher, rh Mr. Michael
Meale, Mr. Alan
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Moran, Margaret
Morden, Jessica
Morgan, Julie
Morley, rh Mr. Elliot
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, rh Mr. Paul
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Osborne, Sandra
Owen, Albert
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, rh James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Robinson, Mrs. Iris
Robinson, rh Mr. Peter
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, rh Joan
Salter, Martin
Sarwar, Mr. Mohammad
Sharma, Mr. Virendra
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Simpson, David
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Starkey, Dr. Phyllis
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Sutcliffe, Mr Gerry
Taylor, Mr. Dari
Taylor, David
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Vaz, rh Keith
Walley, Joan
Waltho, Lynda
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Wilson, Phil
Winnick, Mr. David
Winterton, rh Ms Rosie
Wood, Mike
Woolas, Mr. Phil
Wright, David
Wright, Mr. Iain
Wyatt, Derek

Tellers for the Ayes:
Alison Seabeck and Steve McCabe

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Ancram, rh Mr. Michael
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Bacon, Mr. Richard
Baker, Norman
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Brady, Mr. Graham
Brake, Tom
Brazier, Mr. Julian
Brokenshire, James
Brooke, Annette
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Campbell, rh Sir Menzies
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clark, Greg
Clarke, rh Mr. Kenneth
Clegg, rh Mr. Nick
Clifton-Brown, Mr. Geoffrey
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, Mr. Dai
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Fallon, Mr. Michael
Farron, Tim
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
Francois, Mr. Mark
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Holmes, Paul
Horam, Mr. John
Horwood, Martin
Hosie, Stewart
Howard, rh Mr. Michael
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Jones, Mr. David
Kawczynski, Daniel
Keetch, Mr. Paul
Kennedy, rh Mr. Charles
Key, Robert
Kirkbride, Miss Julie
Kramer, Susan
Laing, Mrs. Eleanor
Lamb, Norman
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Mackay, rh Mr. Andrew
Maclean, rh David
MacNeil, Mr. Angus
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moore, Mr. Michael
Moss, Mr. Malcolm
Mulholland, Greg
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
Öpik, Lembit
Osborne, Mr. George
Ottaway, Richard
Paice, Mr. James
Penrose, John
Pickles, Mr. Eric
Price, Adam
Prisk, Mr. Mark
Pugh, Dr. John
Randall, Mr. John

Redwood, rh Mr. John	Taylor, Matthew
Reid, Mr. Alan	Teather, Sarah
Rennie, Willie	Thurso, John
Rifkind, rh Sir Malcolm	Tredinnick, David
Robathan, Mr. Andrew	Turner, Mr. Andrew
Robertson, Angus	Tyrie, Mr. Andrew
Robertson, Hugh	Vaizey, Mr. Edward
Robertson, Mr. Laurence	Viggers, Peter
Rogerson, Dan	Villiers, Mrs. Theresa
Rosindell, Andrew	Walker, Mr. Charles
Rowen, Paul	Wallace, Mr. Ben
Ruffley, Mr. David	Walter, Mr. Robert
Russell, Bob	Waterson, Mr. Nigel
Salmond, rh Mr. Alex	Watkinson, Angela
Sanders, Mr. Adrian	Webb, Steve
Scott, Mr. Lee	Weir, Mr. Mike
Selous, Andrew	Whittingdale, Mr. John
Shapps, Grant	Widdecombe, rh Miss Ann
Shepherd, Mr. Richard	Wiggin, Bill
Simmonds, Mark	Willetts, Mr. David
Simpson, Mr. Keith	Williams, Hywel
Smith, Sir Robert	Williams, Mark
Soames, Mr. Nicholas	Williams, Mr. Roger
Spellar, rh Mr. John	Williams, Stephen
Spelman, Mrs. Caroline	Willis, Mr. Phil
Spicer, Sir Michael	Willott, Jenny
Spink, Bob	Wilshire, Mr. David
Spring, Mr. Richard	Wilson, Mr. Rob
Stanley, rh Sir John	Winterton, Ann
Steen, Mr. Anthony	Winterton, Sir Nicholas
Streeter, Mr. Gary	Wishart, Pete
Stunell, Andrew	Yeo, Mr. Tim
Swayne, Mr. Desmond	Young, rh Sir George
Swinson, Jo	Younger-Ross, Richard
Swire, Mr. Hugo	**Tellers for the Noes:**
Tapsell, Sir Peter	**Jeremy Wright and**
Taylor, Mr. Ian	**James Duddridge**

Question accordingly agreed to.

9. Rates of tobacco products duty

Resolved,

That—

(1) For the table in Schedule 1 to the Tobacco Products Duty Act 1979 substitute—

"*Table*

1. Cigarettes	An amount equal to 22 per cent of the retail price plus £112.07 per thousand cigarettes
2. Cigars	£163.22 per kilogram
3. Hand-rolling tobacco	£117.32 per kilogram
4. Other smoking tobacco and chewing tobacco	£71.76 per kilogram"

(2) The amendment made by this Resolution comes into force at 6 p.m. on 12 March 2008.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

10. Fuel duty rates and rebates (simplification)

Resolved,

That—

(1) The Hydrocarbon Oil Duties Act 1979 is amended as follows.

(2) In section 6 (hydrocarbon oil: rates of duty), for subsection (1A) substitute—

" (1A) The rates are—

(a) £0.5035 a litre in the case of unleaded petrol,

(b) £0.6007 a litre in the case of light oil other than unleaded petrol, and

(c) £0.5035 a litre in the case of heavy oil."

(3) In section 6AB(5) (duty on bioblend), omit the words from "of the description" to the end.

(4) In section 11(1) (rebate on heavy oil)—

(a) in paragraph (b), omit "which is not ultra low sulphur diesel", and

(b) omit paragraph (ba).

(5) In section 13AA(6) (restrictions on use of rebated kerosene), omit "which is not ultra low sulphur diesel or sulphur-free diesel".

(6) Omit section 13A (rebate on unleaded petrol).

(7) In section 20AAA(4)(a) (mixing of rebated oil), for "section 6(1A)(d)" substitute "section 6A(1A)(c)".

(8) In Article 21(7) of the Renewable Transport Fuel Obligations Order 2007, for "sulphur-free petrol" substitute "unleaded petrol".

(9) The amendments made by this Resolution come into force on 1 April 2008.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

11. Fuel duty (biodiesel and bioblend)

Resolved,

That—

(1) The Hydrocarbon Oil Duties Act 1979 is amended as follows.

(2) Section 1 (hydrocarbon oil) is amended as follows.

(3) In subsection (1), for "Subsections (2) to (7) below" substitute "The following provisions".

(4) After subsection (7) insert—

" (8) "Kerosene" means heavy oil of which more than 50% by volume distils at a temperature of 240°C or less."

(5) Section 2A (power to amend definitions) is amended as follows.

(6) In subsection (1), for paragraphs (a) to (e) substitute—

" (a) biodiesel;

(b) bioethanol;

(c) unleaded petrol."

(7) Omit subsections (1A) and (1B).

(8) In section 6AA (excise duty on biodiesel), after subsection (3) insert—

" (4) See section 14A (biodiesel used other than as fuel for road vehicles) for rebates on duty charged under this section."

(9) In section 6AB (excise duty on bioblend), for subsections (3) and (4) substitute—

" (3) The rate per litre of duty under this section on any bioblend is the sum of—

(a) HO% of the rate per litre of duty under section 6 in the case of heavy oil, and

(b) BD% of the rate per litre of duty under section 6AA.

(4) In subsection (3)—

"HO%" means the percentage of the bioblend that is heavy oil, and

"BD%" means the percentage of the bioblend that is biodiesel,

where the percentages are by volume to the nearest 0.001%.

(4A) See section 14B (bioblend used other than as fuel for road vehicles) for rebates on duty charged under this section."

(10) In section 8 (excise duty on road fuel gas)—

(a) in subsection (2), for "in" substitute "for", and

(b) omit subsection (6).

(11) In section 10 (restrictions on use of duty-free oil), omit subsection (8).

(12) In section 12 (rebate not allowed on fuel for road vehicles), omit subsection (3).

(13) In section 13 (penalties for misuse of rebated heavy oil), omit subsection (7).

(14) In section 13AA (restrictions on use of rebated kerosene), omit subsection (5).

(15) In section 13AB (penalties for misuse of kerosene), omit subsections (3) and (4).

(16) In section 14 (rebate on light oil for use as furnace fuel), omit subsection (9).

(17) After that section insert—

"14A Rebate on biodiesel used other than as fuel for road vehicles

(1) This section applies if, at the excise duty point, it is intended that biodiesel on which duty under section 6AA is charged will not be—

(a) used as fuel for a road vehicle, or

(b) used as an additive or extender in any substance so used.

(2) A rebate of duty is to be allowed on the biodiesel at a rate of £0.0969 a litre less than the rate of duty under section 6AA.

(3) In this section "the excise duty point" has the same meaning as in section 1 of the Finance (No. 2) Act 1992.

14B Rebate on bioblend used other than as fuel for road vehicles

(1) This section applies if, on the delivery for home use of bioblend on which duty under section 6AB is charged—

(a) it is intended that the bioblend will not be—

(i) used as fuel for a road vehicle, or

(ii) used as an additive or extender in any substance so used, and

(b) if the heavy oil used to produce the bioblend was kerosene, it is intended that the bioblend will not be—

(i) used as fuel for an engine within paragraph (a) or (b) of section 13AA(1), or

(ii) used as an additive or extender in any substance so used.

(2) A rebate of duty is to be allowed on the bioblend.

(3) The rate per litre of the rebate is the sum of—

(a) HO% of the relevant hydrocarbon rebate rate, and

(b) BD% of the relevant biodiesel rebate rate.

(4) "The relevant hydrocarbon rebate rate" is the rate specified in section 11(1) for the kind of heavy oil used to produce the bioblend.

(5) "The relevant biodiesel rebate rate" is—

(a) if the heavy oil used to produce the bioblend was kerosene, the rate of duty under section 6AA, and

(b) otherwise, the rate of the rebate under section 14A.

(6) Section 6AB(4) (meaning of "HO%" and "BD%") applies for the purposes of subsection (3).

14C Restrictions on use of rebated biodiesel and bioblend

(1) Rebated biodiesel or bioblend must not be—

(a) used as fuel for a road vehicle,

(b) used as an additive or extender in any substance so used, or

(c) taken into a road vehicle as fuel or as an additive or extender in any substance used as fuel.

(2) Rebated bioblend that was produced by mixing kerosene and biodiesel must not be—

(a) used as fuel for an engine within paragraph (a) or (b) of section 13AA(1),

(b) used as an additive or extender in any substance so used, or

(c) taken into the fuel supply of such an engine.

(3) Subsections (1) and (2) do not apply to a quantity of biodiesel or bioblend if the amount specified in subsection (4) has been paid to the Commissioners, in accordance with regulations, in respect of it.

(4) The amount is—

$$Q \times R$$

where—

Q is the quantity (in litres) of the biodiesel or bioblend, and

R is the rate of the rebate under section 14A or 14B at the time of payment.

(5) In subsection (3) "regulations" means regulations under section 24(1) made for the purposes of this section.

14D Penalties for misuse of rebated biodiesel or bioblend

(1) If biodiesel or bioblend is used or taken into a road vehicle in contravention of section 14C(1) or (2), the Commissioners may assess the amount specified in section 14C(4) as being excise duty due from any person who—

(a) used the biodiesel or bioblend, or

(b) was liable for it being taken into the vehicle,

and may notify the person or the person's representative accordingly.

(2) Conduct within any of the following paragraphs attracts a penalty under section 9 of the Finance Act 1994 (civil penalties)—

(a) using biodiesel or bioblend in contravention of section 14C(1) or (2),

(b) becoming liable for biodiesel or bioblend being taken into a vehicle or the fuel supply of an engine in contravention of section 14C(1) or (2), and

(c) supplying biodiesel or bioblend, intending that it will be put to a particular use that is a prohibited use.

(3) A person commits an offence if—

(a) the person intentionally uses biodiesel or bioblend in contravention of section 14C(1) or (2),

(b) the person is liable for biodiesel or bioblend being taken into a vehicle or the fuel supply of an engine in contravention of section 14C(1) or (2), and knows that the taking in is in contravention of that provision, or

(c) the person supplies biodiesel or bioblend, intending that it will be put to a particular use that is a prohibited use.

(4) "Prohibited use" means a use that would contravene section 14C(1) or (2) if no payment under section 14C(3) were made in respect of the biodiesel or bioblend.

(5) A person guilty of an offence under this section is liable—

(a) on summary conviction, to—

(i) a fine not exceeding the statutory maximum or (if it is greater) 3 times the value of the biodiesel or bioblend in question, or

(ii) imprisonment for a term not exceeding 12 months,

or both, and

(b) on conviction on indictment, to a fine or imprisonment for a term not exceeding 7 years or both.

(6) Subsection (5)(a)(ii) has effect as if the reference there to 12 months were to 6 months—

(a) in this section as it extends to England and Wales, in relation to offences committed before the commencement of section 282 of the Criminal Justice Act 2003 (increase in maximum term that may be imposed on summary conviction of offence triable either way), and

(b) in this section as it extends to Northern Ireland."

(18) Omit section 17A (repayment of part of duty where biodiesel used otherwise than as road fuel).

(19) Section 20A (mixing: adjustment of duty) is amended as follows.

(20) For subsections (1) to (4) substitute—

" (1) Subsections (2) and (3) apply if—

(a) a relevant substance upon which duty under this Act has been charged is mixed in a pipe-line with another kind of relevant substance upon which such duty has been charged, and

(b) the mixing is approved mixing (see subsection (5)).

(2) If the Commissioners are of the opinion that—

(a) the amount of duty that would be charged on the mixture (if duty were charged at the time of mixing), is greater than

(b) the total amount of duty charged as mentioned in subsection (1)(a),

they may charge under this section a duty of excise on the mixture of an amount equal to the difference.

(3) If the Commissioners are of the opinion that the amount mentioned in subsection (2)(a) is less than the amount mentioned in subsection (2)(b), they may make under this section an allowance of an amount equal to the difference.

(4) Where a charge or allowance is made under this section, any relief or rebate which was permitted or allowed in respect of the charges mentioned in subsection (1)(a) is for the purposes of this Act to be disregarded.

(4A) In this section "relevant substance" means biodiesel, bioethanol, bioblend, bioethanol blend or hydrocarbon oil.

(4B) The cases that fall within subsection (1)(a) include cases where one kind of hydrocarbon oil is mixed with another kind of hydrocarbon oil."

(21) In subsection (5)(a), for the words from "in" to "only)" substitute "relevant substances (or specified kinds of relevant substances) in a pipe-line".

(22) Section 20AAA (mixing of rebated oil) is amended as follows.

(23) Omit subsections (3) and (5).

(24) In subsection (9), for ", (2)(a) or (3)" substitute "or (2)(a)".

(25) In section 20AA(1) (power to allow reliefs), after "12(2)" (in both places) insert "or 14C(3)".

(26) Before section 21 (but after the heading "*Administration and enforcement*") insert—

"20AC Determination by Commissioners of composition of substance

(1) The Commissioners may, for any prescribed purpose, determine in such way as they consider appropriate the proportion of any substance that is biodiesel or bioethanol.

(2) In subsection (1) "prescribed purpose" means a purpose, prescribed by regulations made by the Commissioners, that relates to any duty under this Act."

(27) In section 23 (prohibition on use etc of road fuel gas on which duty has not been paid), omit subsection (2).

(28) Section 24 (control of duty-free and rebated oil) is amended as follows.

(29) In subsection (1), for the words from "section 11," to "section 14(1)," substitute "any of sections 11 to 14C,".

(30) In subsection (2)—

(a) for the words from the beginning to "above" substitute "The regulations", and

(b) for the words from "subsection (2)" to the end substitute "section 12(2), 13AA(3) or 14C(3) are to be effective for the purposes of those provisions."

(31) In subsection (3)—

(a) after "hydrocarbon oil" insert ", biodiesel or bioblend", and

(b) in paragraph (b), for "or rebated light oil" substitute ", rebated light oil, rebated biodiesel or rebated bioblend".

(32) In subsection (4A)(a), after "oil" insert ", biodiesel or bioblend".

(33) In subsection (5), after "oil" insert ", biodiesel or bioblend".

(34) In section 24A (penalties for misuse of marked oil), omit subsection (4).

(35) Section 27 (interpretation) is amended as follows.

(36) In subsection (1)—

(a) in the definition of "controlled oil", after "13AA" insert "or biodiesel or bioblend in respect of which a rebate has been allowed under section 14A or 14B",

(b) after that definition insert—

""excepted vehicle" means a vehicle that is an excepted vehicle within the meaning of Schedule 1;",

(c) after the definition of "hydrocarbon oil" insert—

""kerosene" has the meaning given by section 1(8);",

(d) in the definition of "rebate", after "14" insert ", 14A, 14B", and

(e) in the definition of "road vehicle", for the words from "venicle which" to the end substitute "excepted vehicle;".

(37) After that subsection insert—

" (1ZA) For the purposes of this Act, a substance is used as fuel for a vehicle if (and only if) it is used as fuel for—

(a) the engine provided for propelling the vehicle, or

(b) an engine which draws fuel from the same supply as that engine.

(1ZB) For those purposes, a substance is taken into a vehicle as fuel, or as an additive or extender in any fuel, if (and only if) it is taken into the vehicle as part of the supply from which the engine provided for propelling the vehicle draws fuel.

(1ZC) For those purposes, the following persons are liable for a substance being taken into a vehicle or into the fuel supply of an engine—

(a) the person who has charge of the vehicle or engine at the time the substance is taken in, and

(b) the owner of the vehicle or engine at that time (or, if another person is entitled to possession of it at that time, that other person).

(1ZD) Subsection (1ZC) applies in relation to appliances and storage tanks as it applies in relation to vehicles."

(38) In Schedule 4 (regulations under section 24), in paragraph 22 (interpretation), omit the words from "and section 12(3)(a)" to the end.

(39) In Schedule 5 (sampling), in paragraph 3(1), omit "of oil".

(40) The amendments made by this Resolution come into force—

(a) so far as they confer a power to make regulations, on 19 March 2008, and

(b) for all other purposes, on 1 April 2008.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

12. Fuel duty (other provision)

Resolved,

That provision may be made amending the Hydrocarbon Oil Duties Act 1979.

13. Rates of vehicle excise duty

Motion made, and Question put,

That—

(1) Schedule 1 to the Vehicle Excise and Registration Act 1994 (annual rates of duty) is amended as follows.

(2) In paragraph 1 (general)—

(a) in sub-paragraph (2) (vehicle not covered elsewhere in Schedule otherwise than with engine cylinder capacity not exceeding 1,549cc), for "£180" substitute "£185", and

(b) in sub-paragraph (2A) (vehicle not covered elsewhere in Schedule with engine cylinder capacity not exceeding 1,549cc), for "£115" substitute "£120".

(3) In paragraph 1B (graduated rates for light passenger vehicles), for the table substitute—

"*Table*

CO_2 emissions figure		Rate	
(1)	*(2)*	*(3)*	*(4)*
Exceeding g/km	*Not exceeding g/km*	*Reduced rate* £	*Standard rate* £
100	120	15	35
120	150	100	120
150	165	125	145
165	185	150	170
185	225	195	210
225	—	385	400

The table has effect in relation to vehicles first registered before 23 March 2006 as if—

(a) in column (3), in the last row, "195" were substituted for "385", and

(b) in column (4), in the last row, "210" were substituted for "400"."

(4) In paragraph 1J (light goods vehicles)—

(a) in sub-paragraph (a) (vehicle which is not lower-emission van), for "£175" substitute "£180", and

(b) in sub-paragraph (b) (lower-emission van), for "£115" substitute "£120".

(5) In paragraph 2(1) (motorcycles)—

(a) in paragraph (b) (motorbicycle and engine's cylinder capacity more than 150cc but not more than 400cc), for "£32" substitute "£33",

(b) in paragraph (c) (motorbicycle and engine's cylinder capacity more than 400cc but not more than 600cc), for "£47" substitute "£48", and

(c) in paragraph (d) (any other case), for "£64" substitute "£66".

(6) The amendments made by this Resolution have effect in relation to licences taken out on or after 13 March 2008.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

The House divided: Ayes 364, Noes 177.

Division No. 129] **[10.56 pm**

AYES

Abbott, Ms Diane
Ainger, Nick
Ainsworth, rh Mr. Bob
Alexander, Danny
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Austin, Mr. Ian
Austin, John
Baird, Vera
Baker, Norman
Balls, rh Ed
Banks, Gordon
Barlow, Ms Celia
Barrett, John
Battle, rh John
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Beith, rh Mr. Alan
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blizzard, Mr. Bob
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brake, Tom
Brennan, Kevin
Brooke, Annette
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Browne, Mr. Jeremy
Bruce, rh Malcolm
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Colin
Burnham, rh Andy
Burstow, Mr. Paul
Burt, Lorely
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Cabom, rh Mr. Richard
Cairns, David
Campbell, Mr. Alan
Campbell, rh Sir Menzies
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clegg, rh Mr. Nick
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Cousins, Jim
Crausby, Mr. David
Cruddas, Jon
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Curtis-Thomas, Mrs. Claire
Darling, rh Mr. Alistair
Davey, Mr. Edward
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Dai
Davies, Mr. Quentin
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Durkan, Mark
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Farron, Tim
Featherstone, Lynne
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, rh Caroline
Flynn, Paul
Foster, Mr. Don
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, Andrew
George, rh Mr. Bruce
Gibson, Dr. Ian
Gilroy, Linda
Godsiff, Mr. Roger
Goldsworthy, Julia
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Hancock, Mr. Mike
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Dr. Evan
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Heath, Mr. David
Hemming, John
Hendrick, Mr. Mark
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Holmes, Paul
Hood, Mr. Jim
Hoon, rh Mr. Geoffrey
Hope, Phil
Hopkins, Kelvin
Horwood, Martin
Hosie, Stewart
Howarth, David
Howarth, rh Mr. George
Howells, Dr. Kim
Hughes, rh Beverley
Hughes, Simon
Huhne, Chris
Humble, Mrs. Joan
Hunter, Mark
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Keetch, Mr. Paul

Kemp, Mr. Fraser
Kennedy, rh Mr. Charles
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Kramer, Susan
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Lamb, Norman
Laws, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Leech, Mr. John
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Llwyd, Mr. Elfyn
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
MacNeil, Mr. Angus
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Malliaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCafferty, Chris
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGrady, Mr. Eddie
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, rh Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Moore, Mr. Michael
Moran, Margaret
Morden, Jessica
Morgan, Julie
Morley, rh Mr. Elliot
Mudie, Mr. George
Mulholland, Greg
Mullin, Mr. Chris
Munn, Meg
Murphy, rh Mr. Paul
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Öpik, Lembit
Osborne, Sandra
Owen, Albert
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Price, Adam
Primarolo, rh Dawn
Prosser, Gwyn
Pugh, Dr. John
Purchase, Mr. Ken
Purnell, rh James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, Mr. Alan
Rennie, Willie
Riordan, Mrs. Linda
Robertson, Angus
Robertson, John
Robinson, Mr. Geoffrey
Rogerson, Dan
Rooney, Mr. Terry
Rowen, Paul
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Bob
Russell, Christine
Ryan, rh Joan
Salmond, rh Mr. Alex
Salter, Martin
Sanders, Mr. Adrian
Sarwar, Mr. Mohammad
Sharma, Mr. Virendra
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, Sir Robert
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Starkey, Dr. Phyllis
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Stunell, Andrew
Sutcliffe, Mr. Gerry
Swinson, Jo
Taylor, Ms Dari
Taylor, David
Taylor, Matthew
Teather, Sarah
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Vaz, rh Keith
Walley, Joan
Waltho, Lynda
Watson, Mr. Tom
Watts, Mr. Dave
Webb, Steve
Weir, Mr. Mike
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Williams, Hywel
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wills, Mr. Michael
Wilson, Phil
Winnick, Mr. David
Winterton, rh Ms Rosie
Wishart, Pete
Wood, Mike
Woolas, Mr. Phil
Wright, David
Wright, Mr. Iain
Wyatt, Derek
Younger-Ross, Richard

Tellers for the Ayes:
Alison Seabeck and Steve McCabe

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Ancram, rh Mr. Michael
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Bacon, Mr. Richard
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Brady, Mr. Graham
Brazier, Mr. Julian
Brokenshire, James
Browning, Angela
Burns, Mr. Simon
Burrowes, Mr. David
Burt, Alistair
Butterfill, Sir John
Campbell, Mr. Gregory
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clark, Greg
Clarke, rh Mr. Kenneth
Clifton-Brown, Mr. Geoffrey
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Dodds, Mr. Nigel
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Fallon, Mr. Michael
Field, Mr. Mark
Francois, Mr. Mark
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
Gillan, Mrs. Cheryl
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hands, Mr. Greg
Harper, Mr. Mark
Hayes, Mr. John
Heald, Mr. Oliver
Heathcoat-Amory, rh Mr. David
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Horam, Mr. John
Howard, rh Mr. Michael
Howarth, Mr. Gerald
Hunt, Mr. Jeremy
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Jones, Mr. David
Kawczynski, Daniel
Key, Robert
Kirkbride, Miss Julie
Laing, Mrs. Eleanor
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian

Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Loughton, Tim
Mackay, rh Mr. Andrew
Maclean, rh David
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McCrea, Dr. William
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moss, Mr. Malcolm
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
Osborne, Mr. George
Ottaway, Richard
Paice, Mr. James
Penrose, John
Pickles, Mr. Eric
Prisk, Mr. Mark
Randall, Mr. John
Redwood, rh Mr. John
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, Mr. Laurence
Robinson, Mrs. Iris
Robinson, rh Mr. Peter
Rosindell, Andrew
Ruffley, Mr. David
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Soames, Mr. Nicholas
Spellar, rh Mr. John
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Steen, Mr. Anthony
Streeter, Mr. Gary
Swayne, Mr. Desmond
Swire, Mr. Hugo
Tapsell, Sir Peter
Taylor, Mr. Ian
Tredinnick, David
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Walter, Mr. Robert
Waterson, Mr. Nigel
Watkinson, Angela
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Wilshire, Mr. David
Wilson, Mr. Rob
Winterton, Ann
Winterton, Sir Nicholas
Yeo, Mr. Tim
Young, rh Sir George

Tellers for the Noes:
Jeremy Wright and James Duddridge

Question accordingly agreed to.

14. Standard rate of landfill tax

Resolved,

That provision may be made about the standard rate of landfill tax.

15. Rates of climate change levy

Resolved,

That provision may be made about the rates of climate change levy.

16. Rate of aggregates levy

Resolved,

That provision may be made about the rate of aggregates levy.

17. Carbon reduction trading schemes

Resolved,

That provision may be made for the imposition of charges by the allocation of carbon reduction trading scheme allowances in return for payment.

18. Amusement machine licence duty

Resolved,

That—

(1) In section 23(2) of the Betting and Gaming Duties Act 1981 (amount of duty payable on amusement machine licence), for the table substitute—

"Table

Months for which licence granted	*Category A*	*Category B1*	*Category B2*	*Category B3*	*Category B4*	*Category C*
	£	£	£	£	£	£
1	455	230	180	180	165	70
2	905	450	355	355	320	135
3	1355	675	535	535	485	200
4	1805	905	710	710	645	265
5	2260	1130	890	890	805	335
6	2710	1355	1065	1065	965	400
7	3160	1580	1245	1245	1125	465
8	3610	1805	1420	1420	1290	530
9	4065	2030	1600	1600	1450	600
10	4515	2260	1775	1775	1610	665
11	4965	2485	1955	1955	1770	730
12	5160	2580	2030	2030	1840	760".

(2) The amendment made by paragraph (1) has effect in relation to cases where the application for the amusement machine licence is received by the Commissioners for Her Majesty's Revenue and Customs after 4 p.m. on 14 March 2008.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

19. Residence

Resolved,

That provision may be made about the residence of individuals in the United Kingdom.

20. Persons not domiciled or not ordinarily resident in the United Kingdom

Resolved,

That provision may be made about persons not domiciled or not ordinarily resident in the United Kingdom.

21. Expenditure on research and development

Resolved,

That provision may be made about tax relief for expenditure on research and development.

22. Venture capital schemes

Resolved,

That provision may be made about the corporate venturing scheme, the enterprise investment scheme and venture capital trusts.

23. Enterprise management incentives

Resolved,

That provision may be made amending Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003.

24. Company gains from investment life insurance contracts

Resolved,

That provision may be made about gains by companies from investment life insurance contracts.

25. Changes in trading stock

Resolved,

That provision may be made about the effect of certain changes in trading stock on the calculation of profits of trades for the purposes of income tax or corporation tax.

26. Investment managers

Resolved,

That provision may be made about investment managers who act on behalf of non-residents.

27. Offshore funds

Resolved,

That provision (including provision having retrospective effect) may be made about offshore funds and participants in them.

28. Insurance companies etc.

Resolved,

That provision (including provision having retrospective effect) may be made about insurance companies, friendly societies and companies which have mutual business.

29. Employment-related securities etc.

Resolved,

That—

(1) The Income Tax (Earnings and Pensions) Act 2003 is amended as follows.

(2) In section 428(2)(b) as originally enacted (conditional interests in shares: amount of charge), insert at the end "(other than an amount of exempt income)".

(3) In section 428(7)(b) (restricted securities: amount of charge), insert at the end "(other than an amount of exempt income)".

(4) In section 446T(3)(b) (securities acquired for less than market value: amount of charge), insert at the end "(other than an amount of exempt income)".

(5) In section 480(5)(a) (securities options: deductible amounts), insert at the end "(other than an amount of exempt income)".

(6) The amendment made by paragraph (2) has effect in relation to events within section 427(1)(a) or (b) of the Income Tax (Earnings and Pensions) Act 2003 (as originally enacted) occurring on or after 12 March 2008.

(7) The amendments made by paragraphs (3) and (5) have effect in relation to chargeable events occurring on or after that date.

(8) The amendment made by paragraph (4) has effect in relation to employment-related securities acquired (or treated as acquired) on or after that date.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

30. Relief for employee share acquisition

Resolved,

That provision may be made amending Schedule 23 to the Finance Act 2003.

31. Leases of plant or machinery

Resolved,

That provision (including provision having retrospective effect) may be made about leases of plant or machinery.

32. Double taxation relief

Resolved,

That provision (including provision having retrospective effect) may be made about double taxation relief.

33. Restrictions on trade loss relief for individuals

Resolved,

That provision may be made restricting reliefs for losses made by individuals carrying on trades otherwise than in partnership.

34. Restrictions on trade loss relief for partners

Resolved,

That provision may be made amending section 103B(2) of the Income Tax Act 2007.

35. Financial arrangements avoidance

Resolved,

That provision (including provision having retrospective effect) may be made amending—

(a) sections 785A and 807A of the Income and Corporation Taxes Act 1988,

(b) Chapter 2 of Part 4 of the Finance Act 1996,

(c) Schedule 26 to the Finance Act 2002, and

(d) section 384 of the Income Tax Act 2007.

36. Manufactured payments

Resolved,

That provision (including provision having retrospective effect) may be made about manufactured payments (including deemed manufactured payments).

37. Controlled foreign companies

Resolved,

That provision may be made about controlled foreign companies.

38. Intangible fixed assets

Resolved,

That provision may be made amending Schedule 29 to the Finance Act 2002.

39. Payments on account of income tax

Resolved,

That provision may be made repealing section 964(5) of the Income Tax Act 2007.

40. Capital allowances

Resolved,

That provision may be made about capital allowances.

41. Pension schemes

Resolved,

That provision (including provision having retrospective effect) may be made about pension schemes.

42. Stamp duty land tax (notification and registration of transactions)

Resolved,

That—

(1) Part 4 of the Finance Act 2003 (stamp duty land tax) is amended as follows.

(2) For section 77 substitute—

" 77 Notifiable transactions

(1) A land transaction is notifiable if it is—

(a) an acquisition of a major interest in land that does not fall within one or more of the exceptions in section 77A,

(b) an acquisition of a chargeable interest other than a major interest in land where there is chargeable consideration in respect of which tax is chargeable at a rate of 1% or higher or would be so chargeable but for a relief,

(c) a land transaction that a person is treated as entering into by virtue of section 44A(3), or

(d) a notional land transaction under section 75A.

(2) This section has effect subject to—

(a) sections 71A(7) and 72A(7), and

(b) paragraph 30 of Schedule 15.

(3) In this section "relief" does not include an exemption from charge under Schedule 3.

77A Exceptions for certain acquisitions of major interests in land

(1) The exceptions referred to in section 77(1)(a) are as follows.

1. An acquisition which is exempt from charge under Schedule 3.
2. An acquisition (other than the grant, assignment or surrender of a lease) where the chargeable consideration for that acquisition, together with the chargeable consideration for any linked transactions, is less than £40,000.
3. The grant of a lease for a term of 7 years or more where
   any chargeable consideration other than rent is (a) less than £40,000, and
   the relevant (b) rent is less than £1,000.
4. The assignment or surrender of a lease where
   the lease was (a) originally granted for a term of 7 years or more,
   (b) the chargeable consideration for the assignment or surrender, other than any rent, is less than £40,000, and
   (c) the relevant rent is less than £1,000.
5. The grant of a lease for a term of less than 7 years where the chargeable consideration does not exceed the zero rate threshold.
6. The assignment or surrender of a lease where
   (a) the lease was originally granted for a term of less than 7 years, and
   (b) the chargeable consideration does not exceed the zero rate threshold.

(2) Chargeable consideration for an acquisition does not exceed the zero rate threshold if it does not consist of or include—

(a) any amount in respect of which tax is chargeable at a rate of 1% or higher, or

(b) any amount in respect of which tax would be so chargeable but for a relief.

(3) In this section—

"annual rent" has the meaning given in paragraph 9A of Schedule 5,

"relevant rent" means—

(a) the annual rent, or

(b) in the case of the grant of a lease to which paragraph 11 or 19 of Schedule 15 applies, the relevant chargeable proportion of the annual rent (as calculated in accordance with that paragraph), and

"relief" does not include an exemption from charge under Schedule 3."

(3) In section 79(2) (registration of land transactions), after "every" insert "notifiable".

(4) In section 122 (index of defined expressions), in the definition of "notifiable (in relation to a land transaction)" after "72A(7)" insert "and paragraph 30 of Schedule 15".

(5) In Part 4 of Schedule 6 (SDLT: disadvantaged areas relief), in paragraph 13, for "section 77 (which specifies" substitute "sections 77 and 77A (which specify".

(6) In Schedule 17A (SDLT: further provisions relating to leases), in paragraphs 3(2) and (5) and 4(1) and (4A), for "section 77" substitute "sections 77 and 77A".

(7) The amendments made by this Resolution have effect in relation to transactions with an effective date on or after 12 March 2008.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

43. Stamp duty land tax (charge where consideration includes rent)

Resolved,

That—

(1) Schedule 5 to the Finance Act 2003 (amount of SDLT chargeable: rent) is amended as follows.

(2) In paragraph 9 (SDLT chargeable in respect of consideration other than rent)—

(a) in sub-paragraph (1), insert at the end "(but see paragraph 9A)", and

(b) omit sub-paragraphs (2), (2A) and (3),

and accordingly, in the heading before that paragraph, insert at the end "*: general*".

(3) After that paragraph insert—

"Tax chargeable in respect of consideration other than rent: 0% band

(1) 9A This paragraph applies in the case of a transaction to which this Schedule applies where there is chargeable consideration other than rent.

(2) If—

(a) the relevant land consists entirely of land that is non-residential property, and

(b) the relevant rent is at least £1,000,

the 0% band in Table B in section 55(2) does not apply in relation to the consideration other than rent and any case that would have fallen within that band is treated as falling within the 1% band.

(3) Sub-paragraphs (4) and (5) apply if—

(a) the relevant land is partly residential property and partly non-residential property, and

(b) the relevant rent attributable, on a just and reasonable apportionment, to the land that is non-residential property is at least £1,000.

(4) For the purpose of determining the amount of tax chargeable under section 55 in relation to the consideration other than rent, the transaction (or, where it is one of a number of linked transactions, that set of transactions) is treated as if it were two separate transactions (or sets of linked transactions), namely—

(a) one whose subject-matter consists of all of the interests in land that is residential property, and

(b) one whose subject-matter consists of all of the interests in land that is non-residential property.

(5) For that purpose, the chargeable consideration attributable to each of those separate transactions (or sets of linked transactions) is the chargeable consideration so attributable on a just and reasonable apportionment.

(6) In this paragraph, "the relevant rent" means—

(a) the annual rent in relation to the transaction in question, or

(b) if that transaction is one of a number of linked transactions for which the chargeable consideration consists of or includes rent, the total of the annual rents in relation to all of those transactions.

(7) In sub-paragraph (6), the "annual rent" means the average annual rent over the term of the lease or, if—

(a) different amounts of rent are payable for different parts of the term, and

(b) those amounts (or any of them) are ascertainable at the effective date of the transaction,

the average annual rent over the period for which the highest ascertainable rent is payable.

(8) In this paragraph, "relevant land" has the meaning given in section 55(3) and (4)."

(4) Each of the following provisions of Schedule 6 to that Act (SDLT: disadvantaged areas relief) is amended in accordance with paragraph (5) of this Resolution—

(a) paragraph 5(4) (residential land wholly situated in disadvantaged area),

(b) paragraph 6(6) (mixed land wholly situated in disadvantaged area),

(c) paragraph 9(4) (residential land partly situated in disadvantaged area), and

(d) paragraph 10(6) (mixed land wholly partly situated in disadvantaged area).

(5) In those provisions—

(a) in paragraph (a), omit sub-paragraph (i) (and the "and" after it), and

(b) omit paragraph (b).

(6) In paragraph 12 of that Schedule (rent and annual rent) for "9(2)" substitute "9A".

(7) In Schedule 8 to that Act (SDLT: charities relief) in paragraph 3—

(a) in sub-paragraph (3)(b), for "does not exceed £600" substitute "is less than £1,000", and

(b) in sub-paragraph (5), for "9(2)" substitute "9A".

(8) In Schedule 15 to that Act (SDLT: partnerships)—

(a) in paragraph 11(2B)(a), for "9(2A)" substitute "9A(6)",

(b) in paragraph 19(2B), for "9(2A)" substitute "9A(6)", and

(c) in paragraph 23(3)(c), for "9(2)" substitute "9A".

(9) In Schedule 17A to that Act (SDLT: further provisions relating to leases) in paragraph 18A(5)(a)—

(a) for "9(2)" substitute "9A",

(b) for "the Tables" substitute "Table B", and

(c) for "the relevant rental figure exceeds £600" substitute "the relevant rent attributable to non-residential property is not less than £1,000".

(10) The amendments made by this Resolution have effect in relation to transactions with an effective date on or after 12 March 2008.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

44. Stamp duty land tax (withdrawal of group relief)

Resolved,

That—

(1) Part 1 of Schedule 7 to the Finance Act 2003 (group relief) is amended as follows.

(2) In paragraph 3(5), for "paragraph 4" substitute "paragraphs 4 and 4ZA".

(3) In paragraph 4 (cases in which group relief not withdrawn)—

(a) omit sub-paragraphs (2) and (3), and

(b) in sub-paragraph (5), for "sub-paragraphs (3) and (4)" substitute "sub-paragraph (4)".

(4) After that paragraph insert—

"Group relief not withdrawn where vendor leaves group

(1) 4ZA Group relief is not withdrawn under paragraph 3 where the purchaser ceases to be a member of the same group as the vendor because the vendor leaves the group.

(2) The vendor is regarded as leaving the group if the companies cease to be members of the same group by reason of a transaction relating to shares in—

(a) the vendor, or

(b) another company that—

(i) is above the vendor in the group structure, and

(ii) as a result of the transaction ceases to be a member of the same group as the purchaser.

(3) For the purpose of sub-paragraph (2) a company is "above" the vendor in the group structure if the vendor, or another company that is above the vendor in the group structure, is a 75% subsidiary of the company.

(4) But if there is a change in the control of the purchaser after the vendor leaves the group, paragraphs 3, 4(6) and (7), 5 and 6 have effect as if the purchaser had then ceased to be a member of the same group as the vendor.

(5) For the purposes of this paragraph there is a change in the control of the purchaser if—

(a) a person who controls the purchaser (alone or with others) ceases to do so,

(b) a person obtains control of the purchaser (alone or with others), or

(c) the purchaser is wound up.

(6) For the purposes of sub-paragraph (5) a person does not control, or obtain control of, the purchaser if that person is under the control of another person or other persons.

(7) In this paragraph references to "control" shall be interpreted in accordance with section 416 of the Taxes Act 1988 (subject to sub-paragraph (6)).

(5) In paragraph 4A(1) (withdrawal of group relief in certain cases involving successive transactions), in the words following paragraph (d), for "and 4" substitute ", 4 and 4ZA".

(6) The amendments made by this Resolution have effect—

(a) in relation to transactions with an effective date on or after 13 March 2008, and

(b) (subject to paragraph (7)) in relation to transactions with an effective date before that day if, on or after that day, there is a change in the control of the purchaser (within the meaning of paragraph 4ZA(5) of Schedule 7 to the Finance Act 2003, inserted by this Resolution).

(7) The amendments made by this Resolution do not have effect by virtue of paragraph (6)(b) where the change of control takes place in pursuance of a contract entered into before 13 March 2008.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

45. Stamp duty (exemption from ad valorem duty for low value transactions)

Resolved,

That the following provisions shall have effect for the period beginning with 19 March 2008 and ending 31 days after the earliest of the dates mentioned in section 50(2) of the Finance Act 1973—

(1) Paragraph 1 of Schedule 13 to the Finance Act 1999 (charge to stamp duty on conveyance or transfer on sale) is amended as follows.

(2) In sub-paragraph (3), for "(4)" substitute "(3A)".

(3) After that sub-paragraph insert—

" (3A) Stamp duty is not chargeable under sub-paragraph (1) on a transfer of stock or marketable securities where—

(a) the amount or value of the consideration for the sale is £1,000 or under, and

(b) the instrument is certified at £1,000."

(4) In paragraph 6(1) of that Schedule (meaning of instrument being certified at an amount), for "paragraph" substitute "paragraphs 1(3A) and".

(5) The amendments made by this Resolution have effect in relation to instruments executed on or after 13 March 2008 and not stamped before 19 March 2008.

(6) For the purposes of section 14(4) of the Stamp Act 1891 (instruments not to be given in evidence etc unless stamped in accordance with the law in force at the time of first execution), the law in force at the time of execution of an instrument—

(a) executed on or after 13 March 2008 but before 19 March 2008, and

(b) not stamped before 19 March 2008,

shall be deemed to be the law as varied in accordance with this Resolution.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of section 50 of the Finance Act 1973.

Stamp duty (abolition of fixed 46. duty on certain instruments)

That the following provisions shall have effect for the period beginning with 19 March 2008 and ending 31 days after the earliest of the dates mentioned in section 50(2) of the Finance Act 1973—

(1) In section 129(1) of the Finance Act 1982 (exemption from duty on grants, transfers to charities etc), omit ", or paragraph 16,".

(2) Part 3 of the Finance Act 1985 (stamp duty) is amended as follows.

(3) In section 83 (transfers in connection with divorce, dissolution of civil partnership, etc), omit subsection (2) (fixed duty).

(4) In section 84 (death: varying dispositions and appropriations)—

(a) omit subsections (8) and (9) (fixed duty and adjudication), and

(b) in subsection (11) (commencement), omit from "and," to "subsection (8) above".

(5) Part 3 of the Finance Act 1986 (stamp duty) is amended as follows.

(6) In section 66 (company's purchase of own shares), omit subsection (2A) (fixed duty).

(7) In section 67 (stamp duty on certain transfers to depositary receipt systems)—

(a) in subsection (1), after "instrument" insert "(other than a bearer instrument)",

(b) in subsection (3), for the words from the beginning to "then," substitute "In any other case—

(a) stamp duty is chargeable on the instrument under this subsection, and

(b) ",

(c) in subsection (9) (transfer of securities between depositary receipt systems), for "the stamp duty chargeable on the instrument is £5" substitute "stamp duty is not chargeable on the instrument", and

(d) after subsection (9) insert—

" (9A) In this section "bearer instrument" has the meaning given in paragraph 3 of Schedule 15 to the Finance Act 1999."

(8) In section 70 (stamp duty on certain transfers to a clearance system)—

(a) in subsection (1), after "instrument" insert "(other than a bearer instrument)",

(b) in subsection (3), for the words from the beginning to "then," substitute "In any other case—

(a) stamp duty is chargeable on the instrument under this subsection, and

(b) ",

(c) in subsection (9) (transfer of securities between clearance systems), for "the stamp duty chargeable on the instrument is £5" substitute "stamp duty is not chargeable on the instrument", and

(d) after subsection (9) insert—

" (9A) In this section "bearer instrument" has the meaning given in paragraph 3 of Schedule 15 to the Finance Act 1999."

(9) In section 72A(1) (transfer of securities between depositary receipt system and clearance system), for paragraph (b) substitute—

" (b) stamp duty is not chargeable on the instrument."

(10) In Part 3 of the Finance Act 1987 (stamp duty and stamp duty reserve tax)—

(a) in section 50(1) (warrants to purchase Government stock, etc), omit ", or paragraph 16", and

(b) in section 55(1) (Crown exemption), omit ", or paragraph 16".

(11) Schedule 13 to the Finance Act 1999 (instruments chargeable to stamp duty and rates of duty) is amended as follows.

(12) In paragraph 1(5) (treasury shares), for the words from "any instrument" to the end substitute "sub-paragraph (1) does not apply to any instrument to which sub-paragraph (6) applies."

(13) In Part 3 (other instruments chargeable to stamp duty and rates of duty) omit—

(a) paragraph 16 (fixed duty on transfer otherwise than on sale) and the heading before it,

(b) paragraph 17 (fixed duty on declaration of use or trust) and the heading before it,

(c) paragraph 18(2) (fixed duty on disposition of certain property in Scotland),

(d) paragraph 19(1) (fixed duty on duplicate or counterpart),

(e) paragraph 21(3) (fixed duty on partition or division),

(f) paragraph 22 (fixed duty on release or renunciation) and the heading before it, and

(g) paragraph 23 (fixed duty on surrender) and the heading before it.

(14) Schedule 15 to the Finance Act 1999 (stamp duty: bearer instruments) is amended as follows.

(15) Omit paragraph 6 (fixed duty on instrument given in substitution for a like instrument stamped *ad valorem*).

(16) At the beginning of Part 2 (exemptions) insert—

"Substitute instruments

12A (1) Stamp duty is not chargeable on a substitute instrument.

(2) A substitute instrument is a bearer instrument given in substitution for a like instrument stamped ad valorem (whether under this Schedule or otherwise) ("the original instrument").

(3) The substitute instrument shall not be treated as duly stamped unless it appears by some stamp impressed on it that the full and proper duty has been paid on the original instrument."

(17) In paragraph 20 (variation of original terms or conditions), for paragraph (b) substitute—

" (b) has been stamped in accordance with paragraph 12A, or".

(18) In paragraph 26 (instruments treated as duly stamped), omit paragraph (b) (and the "or" before it).

(19) Paragraphs (1) to (4), (10)(b) and (11) to (13) do not have effect in relation to an instrument effecting a land transaction or a duplicate or counterpart of such an instrument.

(20) In paragraph (19) "land transaction" has the same meaning as in Part 4 of the Finance Act 2003, except that it does not include a transfer of an interest in a property-investment partnership (within the meaning of Schedule 15 of that Act).

(21) The amendments made by this Resolution have effect in relation to instruments executed on or after 13 March 2008 and not stamped before 19 March 2008.

(22) For the purposes of section 14(4) of the Stamp Act 1891 (instruments not to be given in evidence etc unless stamped in accordance with the law in force at the time of first execution), the law in force at the time of execution of an instrument—

(a) executed on or after 13 March 2008 but before 19 March 2008, and

(b) not stamped before 19 March 2008,

shall be deemed to be the law as varied in accordance with this Resolution.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of section 50 of the Finance Act 1973.

47. Expenses of management of investment business (oil extraction etc)

Resolved,

That provision may be made about deduction of expenses of management of investment business from profits arising from oil extraction activities and oil rights.

48. Value added tax (time limits for assessments of excess credits etc)

Resolved,

That—

(1) In section 73 of the Value Added Tax Act 1994 (assessment of overpaid VAT credits etc), after subsection (6) insert—

" (6A) In the case of an assessment under subsection (2), the prescribed accounting period referred to in subsection (6)(a) and in section 77(1)(a) is the prescribed accounting period in which the repayment or refund of VAT, or the VAT credit, was paid or credited."

(2) Section 80 of that Act (credit for, or repayment of, overstated or overpaid VAT) is amended as follows.

(3) After subsection (4A) insert—

" (4AA) An assessment under subsection (4A) shall not be made more than 2 years after the later of—

(a) the end of the prescribed accounting period in which the amount was credited to the person, and

(b) the time when evidence of facts sufficient in the opinion of the Commissioners to justify the making of the assessment comes to the knowledge of the Commissioners."

(4) In subsection (4C), for "(2)" substitute "(3)".

(5) The amendments made by this Resolution come into force on 19 March 2008.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

49. Value added tax (time limits for old claims)

Resolved,

That—

(1) The requirement in section 80(4) of the Value Added Tax Act 1994 that a claim under that section be made within 3 years of the relevant date does not apply to a claim in respect of an amount brought into account, or paid, for a prescribed accounting period ending before 4 December 1996 if the claim is made before 1 April 2009.

(2) The requirement in section 25(6) of the Value Added Tax Act 1994 that a claim for deduction of input tax be made at such time as may be determined by or under regulations does not apply to a claim for deduction of input tax that became chargeable, and in respect of which the claimant held the required evidence, in a prescribed accounting period ending before 1 May 1997 if the claim is made before 1 April 2009.

(3) In this Resolution—

"input tax" and "prescribed accounting period" have the same meaning as in the Value Added Tax Act 1994 (see section 96 of that Act), and

"the required evidence" means the evidence of the charge to value added tax specified in or under regulation 29(2) of the Value Added Tax Regulations 1995.

(4) This Resolution has effect on and after 19 March 2008.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

50. Inheritance tax (interests in possession)

Resolved,

That provision may be made amending section 53 of the Inheritance Tax Act 1984.

51. Vehicle excise duty (rebates)

Resolved,

That provision may be made about rebates of vehicle excise duty.

52. Climate change levy (coal mine methane)

Resolved,

That provision may be made for coal mine methane to cease to be regarded as a renewable source for the purposes of climate change levy.

53. Landfill tax credit (withdrawing approval of environmental bodies)

Resolved,

That—

(1) Part 3 of the Finance Act 1996 (landfill tax) is amended as follows.

(2) In section 53(4)(d) (withdrawal of approval of environmental body or regulatory body), for "approval of an environmental body or the regulatory body to be withdrawn" substitute "the withdrawal of approval of an environmental body by the Commissioners or by the regulatory body, and the withdrawal of approval of the regulatory body by the Commissioners,".

(3) In section 54(1) (review of Commissioners' decisions), after paragraph (c) insert—

" (ca) a decision to withdraw approval of an environmental body under any provision contained in regulations by virtue of section 53(4)(d) above;".

(4) The amendments made by this Resolution come into force on 19 March 2008.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

54. Air passenger duty (standard class travel)

Resolved,

That provision may be made amending the definition of standard class travel for the purposes of air passenger duty.

55. Alternative property finance

Resolved,

That—

(1) The Finance Act 2003 is amended as follows.

(2) For the title of section 73A substitute **"Sections 71A to 73: relationship with Schedule 7"**.

(3) After section 73A insert—

" 73AB Sections 71A to 72A: arrangements to transfer control of financial institution

(1) Section 71A, 72 or 72A does not apply to alternative finance arrangements if those arrangements, or any connected arrangements, include arrangements for a person to acquire control of the relevant financial institution.

(2) That includes arrangements for a person to acquire control of the relevant financial institution only if one or more conditions are met (such as the happening of an event or doing of an act).

(3) In this section—

"alternative finance arrangements" means the arrangements referred to in section 71A(1), 72(1) or 72A(1);

"arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);

"connected arrangements" means any arrangements entered into in connection with the making of the alternative finance arrangements (including arrangements involving one or more persons who are not parties to the alternative finance arrangements);

"relevant financial institution" means the financial institution which enters into the alternative finance arrangements.

(4) Section 840 of the Taxes Act 1988 applies for the purposes of determining who has control of the relevant financial institution."

(4) The amendments made by this Resolution have effect in relation to alternative finance arrangements entered into on or after 12 March 2008.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

56. Alternative finance arrangements

Resolved,

That provision may be made for amending Chapter 5 of Part 2 of the Finance Act 2005 by order.

57. Duties (abolition of disregard of fractions of penny)

Resolved,

That provision may be made repealing section 137(4) of the Customs and Excise Management Act 1979.

58. Relief from tax (incidental and consequential charges)

Resolved,

That it is expedient to authorise any incidental or consequential charges to any duty or tax (including charges having retrospective effect) that may arise from provisions designed in general to afford relief from taxation.

PROCEDURE (FUTURE TAXATION)

Resolved,

That, notwithstanding anything to the contrary in the practice of the House relating to the matters that may be included in Finance Bills, any Finance Bill of the present Session may contain the following provisions taking effect in a future year—

(a) provision for corporation tax to be charged for the financial year 2009,

(b) provision about the standard rate of landfill tax,

(c) provision about the rates of climate change levy,

(d) provision about the rate of aggregates levy, and

(e) provision amending section 139 of the Income Tax (Earnings and Pensions) Act 2003.

PROCEDURE (FIRST-YEAR TAX CREDITS)

Resolved,

That, notwithstanding anything to the contrary in the practice of the House relating to the matters that may be included in Finance Bills, any Finance Bill of the present Session may include provision for first-year tax credits to be paid in connection with first-year qualifying expenditure under the Capital Allowances Act 2001.

PROCEDURE (INFORMATION AND INSPECTION POWERS IN CONNECTION WITH CERTAIN FOREIGN TAXES)

Resolved,

That, notwithstanding anything to the contrary in the practice of the House relating to the matters that may be included in Finance Bills, any Finance Bill of the present Session may make provision about obtaining information and documents, and inspecting premises, in connection with—

(a) a tax of a member State, other than the United Kingdom, which is covered by the provisions for the exchange of information under the Directive of the Council of the European Communities dated 19th December 1977 No. 77/799/EEC (as amended from time to time),

(b) taxes and duties imposed under the law of a territory outside the United Kingdom and covered by arrangements having effect by virtue of section 173 of the Finance Act 2006, and

(c) value added tax charged in accordance with the law of a member State, other than the United Kingdom.

FINANCE *[MONEY]*

Queen's recommendation having been signified—

Resolved,

That, for the purposes of any Act of the present Session relating to finance ("the Act"), it is expedient to authorise the payment out of money provided by Parliament of—

(a) sums incurred by the Commissioners for Her Majesty's Revenue and Customs in making payments under the Act to charities who are given donations under the gift aid scheme,

(b) sums incurred by the Commissioners for Her Majesty's Revenue and Customs in preparing for the introduction of a new duty chargeable in respect of flights by aircraft, and

(c) sums incurred by the Treasury in making payments under the Act from the Exchequer accounts in satisfaction of financial claims concerning any of those accounts.

Bill ordered to be brought in upon the foregoing resolutions: And that the Chairman of Ways and Means, the Prime Minister, Mr. Chancellor of the Exchequer, Secretary Hilary Benn, Mr. Secretary Hutton, Secretary James Purnell, Secretary Ruth Kelly, Secretary Ed Balls, Yvette Cooper, Angela Eagle, Kitty Ussher and Jane Kennedy do prepare and bring it in.

FINANCE BILL

Jane Kennedy accordingly presented a Bill to grant certain duties, to alter other duties, to amend the law relating to the national debt and the public revenue,

and to make further provision in connection with finance: And the same was read the First time; and ordered to be read a Second time tomorrow, and to be printed. [Bill 89]

DELEGATED LEGISLATION

Mr. Speaker: If hon. Members agree, I shall put together the motions on delegated legislation.

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees),

Ecclesiastical Law

That the draft Grants to the Churches Conservation Trust Order 2008, which was laid before this House on 28th January, be approved.

Probation

That the draft Offender Management Act 2007 (Consequential Amendments) Order 2008, which was laid before this House on 6th February, be approved.

Pensions

That the draft Occupational Pension Schemes (Levy Ceiling) Order 2008, which was laid before this House on 7th February, be approved.

That the draft Occupational Pension Schemes (Levies) (Amendment) Regulations 2008, which were laid before this House on 27th February, be approved.

That the draft Pension Protection Fund (Pension Compensation Cap) Order 2008, which was laid before this House on 27th February, be approved.

Criminal Law

That the draft Criminal Justice Act 1988 (Offensive Weapons) (Amendment) Order 2008, which was laid before this House on 27th February, be approved.

Disabled Persons

That the draft Rail Vehicle Accessibility (B2007 Vehicles) Exemption Order 2008, which was laid before this House on 31st January, be approved.

International Development

That the draft Crown Agents Holding and Realisation Board (Prescribed Day) Order 2008, which was laid before this House on 4th February, be approved.—*[Mr. Michael Foster.]*

Question agreed to.

REGULATORY REFORM

Motion made, and Question put forthwith, pursuant to Standing Order No. 18(1) (Consideration of draft regulatory reform orders),

Regulatory Reform

That the draft Legislative Reform (Health and Safety Executive) Order 2008, which was laid before this House on 18th February, be approved. —*[Mr. Michael Foster.]*

Question agreed to.

EUROPEAN DOCUMENTS

Motion made, and Question put forthwith, pursuant to Standing Order No. 119 (European Committees),

European Defence Equipment Market and European Defence Agency

That this House takes note of European Union Documents No. 14937/07, Report by the Head of the European Defence Agency on its activity in 2007, No. 15413/07, the Council's guidelines for the European Defence Agency's work in 2008, and No. 16682/07 and Addenda 1 and 2, Commission Communication on a Strategy for a Stronger and More Competitive European Defence Industry; and endorses the Government's approach to the development of the European Defence Agency and its view that the analysis and proposed solutions in the Commission's Communication need further refinement before they could be supported.—*[Mr. Michael Foster.]*

Mr. Speaker: I think the Ayes have it.

Hon. Members: No.

Division deferred till Wednesday 19 March, pursuant to Standing Order No. 41A (Deferred divisions).

Motion made, and Question put forthwith, pursuant to Standing Order No. 119(9) (European Committees),

Economic Migration to the EU

That this House takes note of European Union Documents No. 14490/07 and Addenda 1 and 2, draft Directive on the conditions of entry and residence of third country nationals for the purpose of highly qualified employment, and No. 14491/07 and Addenda 1 and 2, draft Directive on a single application procedure for a single permit for third country nationals to reside and work in the territory of a Member State and on a common set of rights for third country nationals legally residing in a Member State; and supports the Government's intention not to opt in to these Directives.—*[Mr. Michael Foster.]*

Question agreed to.

PETITION

Road Improvements (Wellingborough)

11.13 pm

Mr. Peter Bone (Wellingborough) (Con): Mr. Speaker, with your permission I would like to present the petition of residents of the Croyland ward of Wellingborough and surrounding areas. It deals with a road—well, I should rather say a series of potholes and craters with a little bit of tarmac in between—in the constituency. The petition has been signed by more than 200 residents, including people who work at the local ambulance station. It reads:

The Humble Petition of residents of Croyland ward of Wellingborough and surrounding areas,

Sheweth,

That The Kingsway, a road in Wellingborough, is in disrepair, speed humps are severely damaged and the footpath is in a deplorable state.

Wherefore your Petitioners pray that your Honourable House urges the Secretary of State for Communities and Local Government to liaise with Northamptonshire County Council to provide, a) a complete resurfacing of the road and footpath, b) the removal of all speed humps and c) a revision of traffic calming measures including the installation of chicanes and a Vehicle Activated Speed Sign.

And your Petitioners, as in duty bound, will ever pray, &c.

[P000155]

Chippenham Hospital

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Michael Foster.]*

11.14 pm

Mr. James Gray (North Wiltshire) (Con): I am glad to have the opportunity of an Adjournment debate, even at this late hour, on a subject of huge concern in my constituency—a matter that has angered the population of Chippenham and the surrounding area more than almost any other issue that I can remember in my 11 years representing them in this place. That culminated in an angry public meeting in Chippenham town hall a week ago on Saturday, attended by 300 people, some of whom were very upset. They were upset about the fact that Chippenham hospital—which serves a town of 40,000 people that is soon to grow to 50,000 people—was to be cut from 43 medical beds to 10 medical beds. That would not resemble a hospital as we normally think of it, and it is questionable whether it would have been sustainable in the long term from an economic or a medical standpoint.

The anger of the local people is well understood, particularly as the proposal comes after various other cuts in the hospital, including the closure of the overnight minor injuries unit, the withdrawal of day care for geriatrics, and the fact that the hospital stopped using the cardiac machine that cost £23,000, which was recently raised by popular subscription. All that was done over last autumn. The final blow was the proposed reduction in beds from 43 to 10.

At oral questions this afternoon, the Minister was able to announce to the House something that has since been confirmed in a press release: the number of beds at Chippenham hospital would be reduced to 20 rather than to 10. Without being immodest, I should like to think that the timing of that decision may not have been uncoincidental with the occurrence of this Adjournment debate and oral questions today, but perhaps it was for other reasons. There has been a change of heart by the primary care trust, which was adamant on the subject at a stormy meeting only two weeks ago.

The chairman and chief executive of the PCT are decent enough people, but were carrying out the will of the Government and were adamant that the hospital would go down to 10 beds. I am glad that in the subsequent two weeks they have seen reason and realised that 10 beds is not sustainable and that 20 is a more reasonable number. A deal has been done with the Royal United hospital in Bath, which will have 10 beds at Chippenham. That is an eminently healthy development. It is still not enough; 20 beds is half the present number, and it is difficult to assess whether that is sustainable.

The news removes some of the passion from the debate. I welcome it and I look forward to hearing what the Minister has to say later about that deal. I hope that it may be possible to extend that 10-bed deal to a better arrangement for Chippenham hospital. The development comes about as a result of the "Pathways for Change" consultation. As a result of the proposals in that document, a petition with 25,000 signatures was delivered to Parliament. There were huge public meetings and outcry everywhere, but that outcry was nothing by comparison with what has happened to the hospital since.

All that comes as a great disappointment, as the Government went out of their way to seek to reassure us about the future of community hospitals. They said in their rather fetchingly entitled consultation paper "Our Health, Our Care, Our Say" that

"we are clear that community facilities should not be lost in response to short-term budgetary pressures",

and that

"Primary Care Trusts that are considering closing community facilities should now review that in the light of the clear strategy that we have spelled out in the White Paper."

In a debate on 30 January 2006, the then Secretary of State reassured me that Avon, Gloucestershire and Wiltshire should think again about its strategy to close or cut community hospitals. We took some encouragement from that. We like to take encouragement from what the Government tell us. Imagine our surprise when, despite that, Malmesbury was effectively closed, and Westbury, Trowbridge, Melksham and Devizes hospitals were closed and huge cuts were made elsewhere in hospital provision across the area.

Despite the Government's assurances on community facilities, why is all this happening? I had a written parliamentary question last week that may help to explain. The Minister admitted last week that one of the worst funded primary care trusts in England is that in Wiltshire. We in Wiltshire get £1,155 per head per annum for health care—compared with £1,182 in neighbouring Hampshire, £1,425 in Northumberland and £1,416 in London. Why should Wiltshire get £300 per head less than Northumberland? What on earth would justify that—other than the fact that Northumberland, of course, is entirely represented by Labour Members of Parliament, while Wiltshire, I am glad to say, is entirely represented by Conservative ones?

To put the whole thing into context, I should say that before all this started Wiltshire community hospitals had a total of 173 beds, spread across the hospitals that I mentioned. The "Pathways for Change" document proposed that the number should be cut to 74—24 beds in Marlborough, 20 in Melksham and 30 in Chippenham. However, Melksham closed and Warminster got its 20 beds. Then, with no consultation at all, it was proposed that the number for Chippenham would be cut from 43 down to 10—or now, 20.

Dr. Andrew Murrison (Westbury) (Con): One of the things that my hon. Friend's constituents and mine are concerned about is maternity services. Has he seen the recent Healthcare Commission report, which commended both Chippenham and Trowbridge maternity units? Does he share my exasperation that the primary care trust that we unfortunately have in Wiltshire seems selective in the evidence that it uses to back up its position? It appears to ignore things such as the Healthcare Commission's assertion that smaller is better when it comes to maternity services.

Mr. Gray: My hon. Friend is right, and I am grateful to him for staying so late in the evening to support me in this Adjournment debate. The fact is that maternity services, for example, are delivered better in small units

than in big ones. Although I welcome the fact that our maternity unit in Chippenham is being maintained, I very much regret that many of the others around Wiltshire have gone, such as the one in Malmesbury, for example—also in my constituency and for which we campaigned hard. My hon. Friend is absolutely right. The mere facts that we are keeping our maternity unit in Chippenham, which the Minister will no doubt raise in a moment, and that we have a 20-bed specialist stroke unit in Chippenham, do not excuse the fact that all those other facilities around the county have been abolished.

The fact is that we will end up with 30 per cent. of the community beds that we had before all this started, and that seems altogether retrograde. We are a large rural area. There are first-class hospitals in Bath and Swindon, although criticisms can be made of them. However, those hospitals are remote from my and my hon. Friend's constituents in rural Wiltshire. We need community hospitals, particularly to deal effectively with those needing intermediate and geriatric care.

In replying, the Minister may well say that I am looking at things in an old-fashioned way and that we do not just need community hospitals because now there are community teams. Of course, we all welcome the notion that if people can be cared for at home, they should be. That is a good thing; no one wants to lock people up in hospitals if that can be avoided. However, if the community teams are to work properly, the hospital beds should be kept open until the teams are working. Incidentally, community teams are not working 24/7, as was promised; there is, as yet, no night-time care in the area.

If the Minister came to the House and said, "The Chippenham hospital beds are empty week after week, and we are paying a lot of money to keep them", we would all say, "Fine—close them down. We have no problem at all, as the community teams are great." However, the fact is that the community beds are fuller than ever. Currently, they are 96 per cent. occupied over the winter. Most people stay in them for 30 days, and some for 40 days. The Great Western hospital intermediate care unit has closed, which means that the patients have to go to Chippenham instead. Six wards in the Royal United hospital in Bath are currently closed because of the norovirus and there are terrible MRSA problems there too; there are constant red alerts all winter. All the people have to come to Chippenham, especially those requiring geriatric or intermediate care.

In January, RUH in Bath ended up sending patients to local private hospitals to try to meet the Government's 18-week target. Last week in Chippenham, local managers inquired as to whether it would be possible to take the Cameron ward in the hospital out of mothballs. It has been mothballed ever since the Government closed it down, but the managers asked whether it could be brought out again because the beds were needed so badly. When they found that they could not do that for economic reasons, they inquired whether the day rooms at the end of the open wards could possibly have beds in them, because they were short of beds. Against that background, they are apparently cutting the number of beds from an inadequate 43 to 20.

As yet, the neighbourhood teams are not working. The chief executive of Carers Support North Wiltshire wrote to me this week. She stated:

> "The neighbourhood teams are very far from the promised 24/7 service. We have heard of several cases where a patient has been told not to expect a visit for toileting assistance but either 'to wear incontinence pads and wait for someone to arrive, or to have a catheter inserted'... As a very experienced nurse, I am becoming appalled and almost ashamed to be part of that profession."

What about the dignity of life? We are closing hospital beds in Chippennam, where people can be properly looked after, and sending them home and suggesting that they should either wear incontinence pads or have a catheter inserted until the nurse turns up. That will not do. People demand the proper human care that they have had over the years. The cuts, even to 20 beds in Chippenham hospital, are unrealistic and inhumane.

We look to the Minister for three things. First, will he please explain why the people of Wiltshire have £300 less a year spent on them than, for example, the people of Northumberland? The county is among the worst funded in England. What will we do about that? It is a question for the long term and the Minister should answer it.

Secondly, surely the Minister accepts that there is a place for community hospitals such as Chippenham. Will not he continue the negotiations that the PCT has had with, for example, the RUH in Bath, and maintain the movement that got the number of beds increased from 10 to 20? Let us try to get the figure back to 30 if we can.

Thirdly, I hope that the Minister can give a hint about the next question, even if he cannot answer it. The PCT applied for some £17 million to redevelop the old hospital, which had been the Victorian workhouse, but the Government did not like some aspects of the application and asked the PCT to renew it. It has now done that. It would therefore be interesting to receive a hint from the Minister about whether that application for £17 million to redevelop the hospital might meet the Government's approval. That would give new life and hope to the community around Chippenham hospital.

The people of Chippenham—and throughout North Wiltshire, because the hospital serves the whole of my constituency, not only the town of Chippenham—deserve a fully functional hospital. They demand that the Government give them it.

11.27 pm

The Minister of State, Department of Health (Mr. Ben Bradshaw): I congratulate the hon. Member for North Wiltshire (Mr. Gray) on securing the debate and I appreciate his comments. I would like to take the opportunity to pay tribute to all NHS staff in Chippenham and North Wiltshire for their hard work and dedication.

I hope, in the time that is left, to reassure the hon. Gentleman, and, through him, his constituents, that the proposed changes to NHS provision in Wiltshire have been developed after extensive consultation and approved by democratically elected local councillors, and are not about cost-cutting. On the contrary, funding is increasing, and I will deal with that later.

[Mr. Ben Bradshaw]

The proposed changes will lead to better clinical care for the people of Wiltshire, and Chippenham hospital has a good future.

The proposals of Wiltshire primary care trust for Chippenham hospital—the "Reforming Community Services" programme—were developed after two years of extensive consultation. The board of the PCT agreed the programme in January last year, and it was considered in March 2007 by the county council's overview and scrutiny committee. The council is dominated by the Conservative party. As the hon. Gentleman knows, overview and scrutiny committees are composed of local councillors.

To increase democratic oversight of NHS decisions, the Government made it a requirement that such committees should consider any reorganisation of local health provision. If they have concerns about those proposals, they have the power to refer them to the Secretary of State—and my right hon. Friend has made it clear since he took on his role that in such circumstances, he would automatically refer the matter to the independent reconfiguration panel. That has happened in several cases in which recommendations have been overturned. As the hon. Gentleman will know, Wiltshire county council's overview and scrutiny committee did not refer the proposals to the Secretary of State, but supported the "Reforming Community Services" programme.

It is not up to me to second-guess what was on the minds of the hon. Gentleman's colleagues on Wiltshire county council, but I cannot believe that they would have approved the programme if they thought that it would not be for the benefit of their constituents, or would be about cost cutting. The main driver for any local health service reorganisation has to be clinically led, and the central focus must be the best outcome for patients. That is not about saving money, but about investing in services fit for the 21st century.

Let me deal with funding in Wiltshire more generally. Wiltshire PCT's funding allocation has increased from £341.1 million in 2003-04 to £539.6 million this year. Next year funding will increase further, to £569.1 million—a 66 per cent. increase since 2003-04. Whereas a few years ago some primary care trusts were a long way from their fair funding target—Wiltshire may have been one of those—no primary care trust in the country, apart from Northamptonshire, is now more than 3.5 per cent. away from its target. Just to correct the hon. Gentleman about Northumberland, it is not represented in the House only by Labour MPs; rather, I understand that there are two Labour MPs, one Conservative MP and one Liberal Democrat MP. Those funding figures mean that funding per head in Wiltshire has increased in just five years from less than £800 to more than £1,200. That is, in any sense of the term, a massive increase.

I do not think that Wiltshire councillors would have approved proposals that they thought would lead to worse clinical outcomes for patients, either. Having looked into health provision in the county and future need, the PCT concluded that there was an oversupply of general medical beds at Chippenham hospital, which currently has 73 beds. Wiltshire PCT was proposing to reduce the number of medical beds to 10, as the hon. Gentleman mentioned, but has now reconsidered that. The PCT has been in discussions for some time with the Royal hospital in Bath, apparently about the possibility of devolving some of the acute beds from Bath to Chippenham, and, to allow for the possible relocation of services from the Royal Bath to Chippenham, has adjusted that figure up to 20. There are no plans to reduce the size of the stroke unit at the hospital, and the maternity unit, which has also be referred to, will in fact be expanded. Taken in all, those changes will mean that Chippenham hospital will still have a total of 54 beds.

According to the PCT, one of the reasons for the reduction in the number of general medical beds is that it has been determined to reduce what is called delayed discharge, where patients are ready to go home, but the support to enable them to do so is not in place. Wiltshire PCT has already cut delayed discharge by half. I hope that we would all congratulate it, and Wiltshire county council, on achieving that. As I am sure the hon. Gentleman would accept, delayed discharge is bad for patients and bad for the taxpayer.

The second reason for the reduction in general medical beds is that the PCT has been investing in neighbourhood nursing teams, which have been gradually introduced since November last year. Existing teams provide cover to those in Chippenham, Calne, Corsham and Box, and last month another team was set up covering Malmesbury and the surrounding area. The teams comprise 52 nurses and 22 physiotherapists or occupational therapists in total, and serve a population of 18,000 people aged over 65. In January the teams saw 350 new patients. It is worth noting that fewer than 300 new patients were admitted to the general in-patient beds in Chippenham hospital during the same period.

On a recent visit to Wiltshire, I had the opportunity to visit the nursing team in Calne, in the constituency of the right hon. and learned Member for Devizes (Mr. Ancram). I accompanied one of district nurses on a visit and saw at first hand how valued the service that the team provides to the local community is.

As the hon. Member for North Wiltshire acknowledged in his speech, people want to be treated at home where possible, or as close to home as possible. However, the development of community support should not mean that the days of the community hospital are numbered. The general devolving of services—the devolving of services out of acute hospitals, as I hope they will be devolved out of Bath to Chippenham, and out of Chippenham to people's homes—is the direction of travel that is supported in, I think, all parts of the House.

The Government still have a massive commitment to the redevelopment and modernisation of our community hospitals, involving a £750 million programme over this spending review period. Our region in the south-west is already a major beneficiary of the community hospitals programme. It has received £58 million, which is more than a quarter of the total of £190 million allocated so far. That money is supporting major refurbishments in Yate, Minehead, South Bristol, Keynsham Park and Dursley, and at the Moreton and Bourton hospitals in the north Cotswolds.

Wiltshire PCT has not submitted a bid to the community hospital fund, but it has been in discussions with the strategic health authority about its bid for

capital improvements at Chippenham, and there are other funding streams that it can use to bid for funding. For 2008-09, we are changing the way in which capital allocations are made to PCTs. The Department will no longer make formula-based, top-down allocations of capital to fund PCTs' local investment priorities. Instead, PCT capital allocations will be determined by robust and realistic bottom-up expenditure plans submitted by individual PCTs and agreed with their SHAs. That process has already begun, and will be refined over the coming weeks to give maximum flexibility according to local NHS needs over a three-year cycle.

The fact that Wiltshire PCT is looking at making major capital investments on the Chippenham site should reassure the hon. Gentleman and his constituents that Chippenham hospital has a secure future. It will continue to provide stroke services for Wiltshire and, in future, it will be the main base for community maternity services for north and west Wilshire. There will continue to be the minor injury unit, out-patient consultant clinics, assessment clinics, and X-ray and other diagnostic services, in addition to the therapy services and mental health services that are provided at the site. The hospital is the base for many of the community teams working in the area, including the neighbourhood team for Chippenham, health visiting, school nursing and social services. The GP out-of-hours service uses the hospital on weekday evenings and at weekends to provide local access to urgent primary care advice and treatment. I hope that I have been able to go some way towards reassuring the hon. Gentleman that his hospital has a very good future indeed.

Question put and agreed to.

Adjourned accordingly at twenty-three minutes to Midnight.

House of Commons

Wednesday 19 March 2008

The House met at half-past Eleven o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

DUCHY OF LANCASTER

The Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster was asked—

Social Exclusion (Rural Areas)

1. **Miss Anne McIntosh** (Vale of York) (Con): What discussions he has had with the Secretary of State for Environment, Food and Rural Affairs on reducing social exclusion in rural areas. [195045]

The Parliamentary Secretary, Cabinet Office (Phil Hope): Delivery of the socially excluded adults public service agreement and the families at risk review will reduce social exclusion in rural areas. My right hon. Friend the Secretary of State for Environment, Food and Rural Affairs is fully engaged in working to reduce social exclusion in rural areas, as is reflected in his strategy for strong rural communities.

Miss McIntosh: Does the Minister not realise that the programme of rural post office closures that his Government are completing will at one swift move destroy any prospect of reducing social exclusion in rural areas, particularly as they are removing any possibility of profitable post offices remaining in shops, and even disallowing shops that have operated a post office from offering any services that might compete with the Post Office? Will his Government reduce this programme of closures?

Phil Hope: We recognise that post offices play an important social and economic role in rural areas, but, as the hon. Lady knows, the post office network is costing the taxpayer about £3.5 million a week, which amounts to half a million pounds a day, and the cost per transaction in some of the 800 smaller post offices in rural areas is £17. That is simply unaffordable. We will, however, maintain a subsidy of £150 million a year to maintain a national network of post offices in rural areas, and we will apply minimum access criteria so that 95 per cent. of the population in rural areas will have access to a post office within three miles. I would be interested to hear whether the hon. Lady or any other Conservative Members, including those on the Front Bench, will match our commitment to spend £150 million—

Mr. Speaker: Order.

Geraldine Smith (Morecambe and Lunesdale) (Lab): Does the Minister agree that it can be particularly bad to be poor in a rural area, as housing can be more expensive, transport links can be a problem—public transport is almost non-existent in some areas—and people can feel very isolated? We must recognise that, because if people are poor, they are poor, regardless of whether they live in a rural area or in the middle of a council estate.

Phil Hope: My hon. Friend is absolutely right, and we have a programme to tackle social exclusion in rural areas precisely because poor people in such areas require that. That is also why we give a massive subsidy of £55 million to local authorities for rural transport, in order to provide bus services for people in rural areas. That is why we have pledged to build more affordable homes—some 10,500 more homes in rural areas by 2011. That is why we fund third sector organisations—not least community transport schemes—to provide help and support to people in most need in rural areas. I am pleased to be able to say that two of our family nurse partnership programmes—which are programmes to help poorer families—will be piloted in rural areas, to ensure that those from rural families will, like everybody else, have the successful start to life that they deserve.

Mr. Oliver Heald (North-East Hertfordshire) (Con): The Minister will be aware that according to Save the Children 1.3 million children in our country live in severe poverty, and yet the take-up of benefits by families entitled to them is poor. One of the most effective ways of getting across the message of take-up campaigns is to use post offices; indeed, in rural areas they are the only institution of that kind. Why is the Minister closing post offices?

Phil Hope: The hon. Gentleman makes a fair point about access and take-up of benefits, which is why I am very pleased that since 1997 we have lifted some 600,000 children out of poverty, and in the Budget—which we have debated and which the Opposition voted against last night—we made pledges to lift another 250,000 children and young people out of poverty. If the hon. Gentleman were to vote in accordance with the questions he asks—in other words, if he were to support lifting children out of poverty—we might have a little more respect for some of his opinions.

David Taylor (North-West Leicestershire) (Lab/Co-op): Earlier comments have rightly focused on families and children, but we should address older people as well, especially in England. Older people are disproportionately represented in the rural population—the average age in rural areas is 50, and in urban and city areas it is 42—and they are particularly prone to poverty, deprivation and exclusion, and are less likely to take up the benefits to which they are entitled. Will the Minister use his cross-cutting powers with the Department for Work and Pensions and other Departments to raise awareness of benefits among older people in rural areas, who might not have access to relevant information, so that he and his Government tackle the poverty that many such older people are having to endure?

Phil Hope: We will happily take forward the challenge that my hon. Friend has given to me. He will be pleased to learn that only last week I spoke at a conference in Leicester that examined the valuable role that older people play in communities. He will know that we have published a public service agreement called "Later Life", which spells out a range of new targets and new actions, be they about older people playing their part in communities, dealing with social exclusion and poverty, or providing better health services, safer neighbourhoods and independent living. Many older people want the ability to make a positive contribution to their community. The new free local bus travel anywhere in the country will certainly benefit many older people, as will the increased winter fuel payment of £50 and of more than £100 for older people. Such measures will directly address some of my hon. Friend's key questions about tackling pensioner poverty.

Robert Key (Salisbury) (Con): I do not doubt the Minister's good intentions about tackling social exclusion in rural areas, but the common thread running through all this, whether we are talking about crime, schools, the delivery of medical services, sport, entertainment or leisure, is transport, which is not working in rural areas. Will he please get a cross-government initiative going to tackle the issue? It is no good giving free bus passes to pensioners if there are no buses, and it is no good providing free school transport if children cannot get back to enjoy the rest of the benefits of the community in which they live.

Phil Hope: The hon. Gentleman is right to suggest that we must do more to ensure that proper services are provided in villages and rural areas. I represent some 60 villages in my constituency and I work closely with them on integrating services, supporting village halls and providing rural transport. He is right to say that we must provide access to services, not only for older people through the use of free bus passes, but for children and young people. That is why we have a presumption against school closures in rural areas and why we are building more affordable homes. I know that some Conservative Members are opposed to home building, but such homes are vital for young people who want to have a house in their own village rather than leave it. That is why we support organisations such as Action with Communities in Rural England—ACRE—which is a strategic partner of the Cabinet Office in developing new policies and strategies to ensure that we address the specific issues of social exclusion and creating strong rural communities.

Third Sector Organisations

2. **Mr. Jamie Reed** (Copeland) (Lab): What assessment he has made of the potential role of third sector organisations in providing public services. [195046]

The Minister for the Cabinet Office (Edward Miliband): Third sector organisations have the potential to play an important role in the design, development and delivery of public services. That is reflected in our recent reforms in offender management, employment policy and health and social care. However, the third sector should never be an excuse for cutting Government funding to public services.

Mr. Reed: I am grateful to my right hon. Friend for that reply and am reassured by his belief that the third sector should not be used as an excuse for cutting services. What further help can the Government give third sector organisations operating in my constituency, such as the West Cumbria Society for the Blind, the Hospice at Home West Cumbria, NCH and others, to ensure that local authorities and bodies such as primary care trusts give them the help and resources that they need to undertake their work?

Edward Miliband: My hon. Friend makes an important point about the relationship between local authorities and third sector organisations on the ground, because it often defines whether or not those organisations succeed. I pay tribute to the organisations in his constituency that he mentions. We have made progress, in the sense that one of our targets for local government will measure the relationship between the local authorities and local third sector organisations, which will help to address a relevant issue in many areas—how local authorities treat the third sector and whether they help such organisations to grow and thrive.

Michael Fabricant (Lichfield) (Con): Is the Chancellor of the Duchy of Lancaster aware that a number of local charities throughout England and Wales have recently become involved in the running of local post offices? They have found that where post office staff are not available to do that job, they can provide a service for perhaps two or three days a week. What steps is he taking to intervene with the Department for Work and Pensions, which created this crisis in the first place by reducing local post offices' footfall?

Edward Miliband: As my ministerial colleague, my hon. Friend the Member for Corby (Phil Hope), said, we are providing a subsidy of £150 million a year to local post offices. I have heard no proposals from the Conservative party as to how it would provide more money; all we hear, as we hear about every issue, is that we should have a moratorium on closures, but the Conservatives offer no real solutions. We are ensuring that we have not only a thriving post office network, but a sustainable one.

Mr. Bill Olner (Nuneaton) (Lab): Surely the Minister recognises—in fact, I know that he does—the third sector's value to many of our constituencies, in particular my own, which contains the Mary Ann Evans hospice and other valuable charities. Does he understand that in the current world climate of financial slow-down, all those charities will be severely challenged in raising the money that they need to keep those good services going? Will the Government give a commitment to examine carefully the core funding they provide? Perhaps the Government will be able to increase it at this difficult time.

Edward Miliband: My hon. Friend makes an important point: at a time of financial pressures, third sector organisations in particular can feel the pinch. I am pleased that my right hon. Friend the Chancellor made announcements in his Budget statement last week that will help charities to the tune of £300 million—that is money that they thought they were going to lose as a result of changes to income tax, but which they will get through gift aid. That will make a difference to them.

My hon. Friend also emphasises the need to fund small local organisations properly. That is why the new grassroots grants programme, which has been pioneered by my hon. Friend the Member for Corby, will help local organisations with those small sums that can make a big difference to the kind of services that they can provide to the community.

Post Office Closures

3. **Mr. Mark Lancaster** (North-East Milton Keynes) (Con): What assessment the Social Exclusion Task Force has made of the likely effect of post office closures on social inclusion. [195047]

4. **Mr. David Heathcoat-Amory** (Wells) (Con): What assessment the Social Exclusion Task Force has made of the effect of post office closures on social inclusion. [195048]

The Parliamentary Secretary, Cabinet Office (Phil Hope): The Government recognise the social and economic role of post offices in local communities. Our subsidy to the Post Office of £150 million per year until 2011 will help to maintain a national network with national coverage, ensuring that all areas, including rural and deprived urban areas, will continue to have reasonable access to post office services.

Mr. Lancaster: I am pleased that the Minister recognises the contribution that post offices make in both rural and urban communities—I have both in my constituency. But does he understand the anger felt by residents of Little Brickhill when they discovered, through an inadvertent leak on the Post Office website, that their post office was to close some nine months before the consultation was due to start? Does that not expose what a complete sham the consultation is?

Phil Hope: It is not appropriate for me to comment on any individual post office. However, the hon. Gentleman must recognise that the present subsidy of £3.5 million a week is unaffordable. He is making representations on behalf of his constituents, but I would like to know why, between 1979 and 1997 when his party was in power, 3,500 post offices closed and not one penny of subsidy was given to post offices.

Mr. Heathcoat-Amory: In the Government White Paper, "Rural Affairs", the then Deputy Prime Minister said that

"we will...retain and renew the rural Post Office network and make banking, internet, pensions, benefits, prescriptions, health and other services available from rural post offices".

Is it not the job of the Minister's Department to make the Government keep the promises in their White Paper and develop and sustain those post offices, instead of shutting them down?

Phil Hope: That is precisely the reason why we are giving a subsidy to the network of £150 million a year until 2011. I notice that the Opposition have significantly failed to make a commitment to match that subsidy. If the right hon. Gentleman wishes to make a serious point about this, I would like to hear from his Front Benchers whether his party supports that level of subsidy.

Mr. Ronnie Campbell (Blyth Valley) (Lab): Could the Minister find out what is happening in my constituency? The post office in Blyth has to move out of the Co-op, because it is closing, and no one seems to know what will happen to the post office. We wonder whether it is part of the closure programme that we do not know about.

Phil Hope: I cannot comment on individual cases, but the national criteria mean that 99 per cent. of the population in the top 15 per cent. most deprived areas will be within one mile of a post office. On a case by case basis, the Post Office has to take into account local geography, the availability of local transport and other socio-economic factors when making a decision about a particular post office. Perhaps my hon. Friend would like to take back those criteria to his local post office for the negotiations.

Derek Wyatt (Sittingbourne and Sheppey) (Lab): I had a rural post office close in Rodmersham, so I wonder whether I could persuade my hon. Friend to speak to the Department for Culture, Media and Sport and the Department for Business, Enterprise and Regulatory Reform about merging the rural library service with a rural post office service, so the rural hamlets and villages in my constituency could have such a service at least once a week.

Phil Hope: Innovative proposals of that kind can be discussed and negotiated locally. I would encourage the Post Office to engage with local authorities and other third sector organisations that may wish to step in and fund or support particular branches or introduce innovative approaches to delivering services. However, in doing so, the Post Office will need to consider all the costs, not only at branch level, but the support it gives to post offices. I would encourage every local partner to get involved in such innovative proposals and see whether they can find a way forward.

Susan Kramer (Richmond Park) (LD): When the Post Office and the Government announced the most recent round of closures, there was also a commitment to reopen a limited number of post offices, especially in areas of social exclusion that were underserved because of prior closures. I now understand from conversations with the Post Office that that will not apply in any urban areas, including areas such as Ham ward in my constituency, which is most deprived and does not have a single post office. Will the Minister please take up that issue with his colleagues?

Phil Hope: I am sure that the hon. Lady can champion her own constituency perfectly well. The criterion being used nationally for urban areas is that 99 per cent. of the population should be within one mile of a post office in the top 15 per cent. most deprived urban areas. That is an important commitment. At the beginning, that commitment applied to only the bottom 10 per cent. of deprived urban areas, but we have increased it to 15 per cent. My difficulty in responding to the hon. Lady stems from the fact that the Liberal Democrats appear to be saying that they will fund every post office no matter what the cost. Frankly, that is fairyland economics.

Mr. Francis Maude (Horsham) (Con): Is it not now clear that the crucial access criteria for the closure of post offices will leave thousands of elderly and vulnerable people isolated from the services on which they depend, with walking routes that are dangerous to the alternatives and no public transport available? Were Ministers in the Cabinet Office consulted on the social exclusion implications of those access criteria? If they were not, what is the point of their having responsibility for social exclusion? If they were consulted, why did they make such a Horlicks of it?

Phil Hope: Once again the right hon. Gentleman lays down a challenge about the extent to which older people are being included in the discussions, but I notice that once again he has signally failed to match our commitment to provide the exact subsidy that he seeks, which will enable the post offices to remain open. I will give him more time at the Dispatch Box to answer my question: will he match our £150 million a year subsidy to support the rural and urban network?

Mr. Maude: It would be great to get an answer to the question that I asked and I am sorry that the Minister has failed to do that. It is perfectly clear that the total incompetence of this process is leading to hundreds of completely viable post offices facing closure, creating huge problems for thousands of vulnerable people. What does the Minister think that his constituents in Corby will make of his fulminating in his local paper against post office closures in his constituency when those closures are being forced through by his Government? Will they not conclude that the Government are now shot through with hypocrisy?

Phil Hope: My Corby constituents hold me in extremely high regard. They like the fact that I stand up and campaign on their behalf. The fact that we now have a new town centre, a new railway station, two new secondary schools, a new hospital, brand new housing and a regenerated growth economy with low unemployment and higher wages might give some indication that the people of Corby are very pleased with the conduct and performance of their local Member of Parliament. They will not be persuaded by a sham campaign by the Conservative party, which is pretending to support post office openings at the same time as failing to commit to match the Government's pledge of a £150 million subsidy until the year 2011.

Mr. Gregory Campbell (East Londonderry) (DUP): Many people across the UK and in Northern Ireland are alarmed at what appears to be a sustained campaign for the demise of the post office network, particularly in rural areas. When will the Government go back to the drawing board and invest in a campaign to sustain and rebuild the rural post office network?

Phil Hope: The hon. Gentleman is right to press for a subsidy for the post office network to maintain those post offices that are not financially viable. I am pleased that he will support the £150 million a year in subsidy that we are giving to the Post Office until the year 2011. I assume that he will support that, and I hope that he will persuade some of the other parties in this Chamber to support that £150 million subsidy, too.

Sports (Volunteering)

5. **Mr. Andy Reed** (Loughborough) (Lab/Co-op): What steps he is taking to reduce the administrative burden of volunteering in sport. [195049]

The Minister for the Cabinet Office (Edward Miliband): The Government are committed to reducing administrative burdens that may hinder any type of volunteering. Following the report of the independent Commission on the Future of Volunteering, we will produce guidance to help us reduce unnecessary Criminal Records Bureau checks, including in sport. Sport England is also running specific programmes to reduce the administrative burden on sports volunteering.

Mr. Reed: I am sure that my right hon. Friend will want to congratulate the 5 million people who volunteer in sport on a monthly basis, including Nina Walker, from my constituency, who recently won the BBC unsung sporting heroes award. However, will he ensure that his Department plays a lead role in ensuring that the unintended consequences of worthwhile legislation, such as CRB checks, do not impact on the sporting sector? For example, the points system for migration might lead to sports clubs having to sponsor international visiting teams. Will he play a lead role in ensuring that good policies do not impact unnecessarily on sport?

Edward Miliband: Let me pay tribute to my hon. Friend's constituent who, after that question, is more of a sung than an unsung hero. My hon. Friend is right to pinpoint unintended consequences as an issue, but people sometimes get an impression about legislation that turns out not to be correct. That is why I said in my answer that we need to give people proper guidance about the CRB checks so that they know when they are needed. We shall be very much involved in that process.

Child Poverty

6. **Mr. Mark Harper** (Forest of Dean) (Con): What account the Social Exclusion Task Force takes of child poverty in setting its work plan. [195050]

The Minister for the Cabinet Office (Edward Miliband): Through its work on families at risk, the Social Exclusion Task Force is seeking to improve services for families and children facing multiple disadvantages such as worklessness, poor housing and mental health problems.

Following more than 90 applications from local authorities and their partners, the Cabinet Office and the Department for Children, Schools and Families will shortly be announcing the successful councils that will develop innovative approaches to working with such families.

Mr. Harper: I thank the Secretary of State for that reply. He will know that the Opposition share the Government's aspiration to eliminate child poverty by 2020 but, given that the Department for Work and Pensions has admitted that the Government are unlikely to hit their target of halving child poverty by 2010, what will his Department do to make sure that the Government hit their 2010 child poverty target?

Edward Miliband: The hon. Gentleman says that he shares our aspiration to meet the child poverty target, but why did the Opposition vote yesterday night against the Budget measures that would make it possible to take 250,000 more children out of poverty? It is all very well for him to say that the Opposition support the target, but that means that they must vote for the measures that will help us to meet it.

On the wider question of the 2010 target, the Government are determined to make progress. The shadow Chancellor has said that we have one more Budget to go, and we are determined to do more to tackle child poverty.

Mr. Francis Maude (Horsham) (Con): Last Thursday, the Work and Pensions Secretary—who has just come into the Chamber—said of the Government's child poverty target:

"We aim to meet it in 2010."—[*Official Report*, 13 March 2008; Vol. 473, c. 445.]

His words were rather different from those used just now by the Minister for the Cabinet Office. However, the DWP's annual report was published recently and it makes it absolutely clear that

"these targets are unlikely to be fully met."

In the middle of that muddle, who is right—the Secretary of State for Work and Pensions, or his Department's annual report?

Edward Miliband: The Secretary of State for Work and Pensions is absolutely right—we do intend to meet the 2010 target. It is a challenging one, but the difference between the Government and the Opposition is that we are determined to adopt the measures that will take us towards meeting it. It is all very well for the right hon. Gentleman to shed crocodile tears about the target, but he is in no position to talk about these matters if he is not willing to take those measures.

Family Intervention Projects

7. **Mr. John Heppell** (Nottingham, East) (Lab): What assessment he has made of the effectiveness of family intervention projects. [195052]

The Parliamentary Secretary, Cabinet Office (Phil Hope): Family intervention projects are pioneering new ways of working with socially excluded families. Such approaches have demonstrated real benefits for seven out of 10 families, for example in their physical and mental health and in their educational attainment. Building on that success, the Government recently launched their £16 million family pathfinders programme and extended the family nurse partnership programme to new areas of the country.

Mr. Heppell: Does the Minister agree that, although the programmes are often portrayed as extensions of the nanny state, they are actually the exact opposite? By using a carrot-and-stick approach, we are helping people to take charge of, and responsibility for, their own lives.

Phil Hope: My hon. Friend is absolutely right. I am delighted that some of the pioneering work includes a family intervention partnership project in his own Nottingham constituency. Families that have probably been written off by many agencies are given intensive and tailored support to bring about change. Those projects have been remarkably successful, and that is why, through the Department for Children, Schools and Families and the Department of Health, we are rolling out similar programmes across the country.

Data Protection

8. **Mr. John Randall** (Uxbridge) (Con): What plans his Department has to improve data security across Government. [195053]

The Parliamentary Secretary, Cabinet Office (Mr. Tom Watson): The Cabinet Office is committed to improving data security. The Cabinet Secretary's review has already led to enhancements in data security across Government. I expect him to report shortly.

Mr. Randall: Would the Minister agree that, quite frankly, the Government are in a complete shambles? I refer to the loss of private details. Can he give an assurance that he is confident that he has taken measures to ensure that that never happens again?

Mr. Watson: When O'Donnell reports, there will be four action points on which we have to deliver: increasing accountability and responsibility in Departments, putting in place specific measures to protect our information, ensuring that every Department has robust scrutiny mechanisms, and, crucially, ensuring a culture change so that every public servant treats personal data like their own money.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [195060] **Mrs. Madeleine Moon** (Bridgend) (Lab): If he will list his official engagements for Wednesday 19 March.

The Prime Minister (Mr. Gordon Brown): This morning I had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall have further such meetings later today.

Mrs. Moon: Having met four young people from my Bridgend constituency, my right hon. Friend will be aware that it is vital that those young people have the assurance and confidence that, for their futures, there will be apprenticeships and good jobs available for them, on which they can build their future lives. Can I give them that assurance from the Prime Minister?

The Prime Minister: I was pleased to meet young people from my hon. Friend's constituency and to talk about the creation of jobs and opportunities for young people. The whole House will be pleased to know today that the employment figures show that we have more people in employment than at any time in our history.

Despite the global financial turbulence, which has meant unemployment rising in America and unemployment twice as high as ours in France and Germany, we have seen unemployment fall in every region and nation of the country over the last year. That is possible only because of the policies of stability and the creation of the new deal, which we will continue to pursue; that never happened under the previous Government.

Mr. David Cameron (Witney) (Con): The whole world will have been shocked by the pictures on television last night of the security crackdown and the dead bodies on the streets of Lhasa and other parts of Tibet. Does the Prime Minister agree with me that, yes, our relationship with China is vital, and China is a major power, but we must be absolutely clear in telling the Chinese Government that this is completely unacceptable?

The Prime Minister: I spoke to Premier Wen of China this morning, and I made it absolutely clear that there had to be an end to violence in Tibet. I hope that Members on both sides of the House will agree with that. I also called for constraint, and I called for an end to the violence by dialogue between the different parties. The Premier told me that subject to two things that the Dalai Lama has already said—that he does not support the total independence of Tibet and that he renounces violence—he would be prepared to enter into dialogue with the Dalai Lama. I will meet the Dalai Lama when he is in London. I think it is important that we all facilitate discussions, but the most important thing at the moment is to bring about an end to the violence, to see reconciliation, and to see legitimate talks taking place between those people in China.

Mr. Cameron: Can I congratulate the Prime Minister on making absolutely the right decision with regard to the Dalai Lama? It is a difficult decision, but it would not have been made any better by delaying it, and I congratulate him on doing the right thing.

The Prime Minister: We make the right decisions at all times.

Andrew Miller (Ellesmere Port and Neston) (Lab): May I say to my right hon. Friend that long-term unemployment is down 82 per cent. in my constituency, and overall unemployment is down by 39 per cent.? I have just been in discussions with a prospective inward investor who proposes to bring another 600 jobs to my constituency. My right hon. Friend knows that the success in turning around the economy in my area is due to the relationship between the Government and the private sector. Will he ensure that we invest in training, so that those good trends continue in future?

The Prime Minister: My hon. Friend has fought hard for the car industry and other jobs for his constituency, and for the development of the science-based industries in the whole of the north-west region. He will be pleased to know that unemployment is falling in the whole region, that unemployment is down on a year ago, and that more jobs are being created in all parts of the country. We will continue to pursue the policies that are necessary—putting stability first by bearing down hard on inflation, a new deal to give people chances of jobs, and apprenticeships for young people. None of that would happen under the policies of the Opposition.

Mr. Nick Clegg (Sheffield, Hallam) (LD): Two hours ago a retired Gurkha soldier handed over this medal to me in protest at the Government's refusal to grant him British citizenship. Does the Prime Minister know what it means for a loyal British soldier to give up a medal that he won for his long years of service to this country? Can he explain to the Gurkhas why on earth he believes that Gurkhas who have served in the Army after 1997 are worthy of British citizenship, but those who served before that date should be deported?

The Prime Minister: Let me also pay tribute to the Gurkhas. They have been in existence since 1815. They have served loyally in every part of the world, particularly in Iraq and Afghanistan, where they fought with Prince Harry over the past few months. They have done a tremendous job for our country. We are the first Government to have given Gurkhas the right to a pension, for those serving after 1997. We are the first to have given equal pay to the Gurkhas. We are the first to have dealt with the problems of married accommodation, and we are the first to say that after four years in the Army they will have the right to residence in this country. Those are changes that we have brought about. Why is the date 1997? It is the date that the Gurkhas, once based in Hong Kong, moved to be based in Britain. That is why we are honouring the promises that we made for the period after 1997.

Mr. Clegg: That is a technical argument on a moral issue. It is a spectacular misjudgement from the man who signed the cheques for the Iraq war, but has never had the moral courage to take responsibility for it. After five years of conflict in Iraq—*[Interruption.]*

Mr. Speaker: Order. Let the right hon. Gentleman speak. *[Interruption.]* Order.

Mr. Clegg: After five years of conflict in Iraq—*[Interruption.]*

Mr. Speaker: Order.

Mr. Clegg: After five years of conflict in Iraq, at the cost of 175 British soldiers' lives, over 600,000 Iraqi civilians and £7 billion of taxpayers' money, will the Prime Minister tell the House today whether he has any regrets about his decision to support and pay for the war in Iraq?

The Prime Minister: There is a democracy in Iraq as a result of the changes that have been brought about. Millions of children are getting the benefit of education, vaccination and health care services as a result. We are rebuilding, with the Iraqis, the economy of Iraq. I do not believe that the right hon. Gentleman wants to go back to a situation where Saddam Hussein was in control of Iraq.

Q2. [195061] **Christine Russell** (City of Chester) (Lab): Children's centres, where community midwives, health visitors and speech and language therapists are working alongside child care providers and family support workers, are making a real difference to the life chances of children and giving tremendous support to their parents. Will my right hon. Friend please give an assurance to the House that the funding for the Sure Start programme will continue, so that every community has access to fully integrated children's services?

The Prime Minister: There is a transformation taking place in care for the under-fives. There are 1,500 children's centres now, and there will be 3,500 in 2010. That means that for most constituencies, there will be five or six Sure Start children's centres available for use by both parents and children. What would be a terrible mistake is the Conservative policy to take £200 million out of the budget of Sure Start centres. The Conservatives must explain how many areas will have their Sure Start centres closed as a result. They are proposing doing the worst by young children by cutting back on vital provision in early years learning.

Mr. David Cameron (Witney) (Con): Before the House breaks for Easter, I should like to give the Prime Minister the opportunity to answer some of the questions that he has completely failed to answer in recent weeks. *[Interruption.]* I thought he would welcome the opportunity. Last week I asked him whether we could have free votes on the Human Fertilisation and Embryology Bill in this House, whereas in the House of Lords he whipped his peers on conscience issues. Can he tell us today: will we have free votes on that Bill on his side of the House when it comes here?

The Prime Minister: I made the position clear last week about this Bill. This is an important Bill that improves the facilities for research and is vital for dealing with life-threatening diseases. It is a Bill that has gone through the House of Lords. I said very clearly that everybody in this House should have the right to exercise their consciences. We will come back to the House with our proposals to take it through in later times.

Mr. Cameron: Why can he not just tell us whether we can have free votes or not? What is so difficult about making a decision about this issue? If he cannot make a decision about this, no wonder the country is in such a mess.

Let me try an issue that I asked the Prime Minister about two months ago—identity cards. I asked him whether he was personally in favour of compulsory identity cards. I am opposed to that; he says that it is a matter for Parliament. Well, the last time I looked he was a Member of Parliament. Will he be voting for them—yes or no?

The Prime Minister: I was in favour of them then, and I repeat that now. I ask the right hon. Gentleman the question that he never answered: is he in favour of compulsory ID cards for foreign nationals—yes or no? We are in favour. Is he against?

Mr. Cameron: If the Prime Minister wants to ask me questions, he should call an election, so he can ask six a week. In the meantime, my responsibility is to ask him questions on behalf of the country, and his responsibility is to answer on behalf of the Government. ID cards for foreigners are just a way of spinning biometric visas, and there is not a person in the House of Commons who is opposed to them.

Let me try another question. *[Interruption.]* It is good to see the Secretary of State for Children, Schools and Families sitting there so quietly this week. *[Interruption.]* Very, very good. He had a choice: he had to learn either to shout more clearly or to be quiet. He has made the right choice.

When I asked the Prime Minister about A-levels six weeks ago, he could give absolutely no guarantee that they would remain after the review in 2013. That means that children starting secondary school do not know whether they will be doing A-levels or not. I want A-levels to remain as the gold standard. Does he?

The Prime Minister: I also answered this question a few weeks ago. The review will take place in 2013. Nobody is going to take away A-levels when they are successful. What we are going to do is look at how the diplomas are working, review the issue in 2013 and then make a decision. That is a guarantee that A-levels are in business for the next five years.

Mr. Cameron: So the Prime Minister can give us absolutely no answer for after 2013. That means that children at secondary school and their parents have no idea about what sort of examination system is going to be in place.

The Prime Minister cannot make a decision about free votes and he cannot make a decision about A-levels. No wonder his new spin doctor Stephen Carter says that living in Downing street is like living in a surreal cartoon. There are now so many spin doctors in Downing street that they have started spinning against each other and leaving in floods of tears. There is a new strategist, a man called David Muir. Yes, I have done a bit of research—he is the chief strategist and on the internet he has listed his favourite book. It is called—*[Interruption.]* Is his favourite book not the following? It is called "The unstoppable power of leaderless organisations". If the Prime Minister cannot make a decision, and if he cannot run his office, why does anyone wonder why he cannot run the country?

The Prime Minister: We are dealing with the substance of issues. The Opposition are playing at politics; we are dealing with the substance of governing. It is interesting that there was not one question about the global economy. Why? Because the Conservatives do not have a policy on the global economy. There was not one question about the health service, because they have no proper policy on the national health service. There was not one question about local government services because they are cutting local government services. They have no answer to the problems of this country.

Q3. [195062] **Mr. Andrew Love** (Edmonton) (Lab/Co-op): With current market conditions deteriorating, will my right hon. Friend reassure this House that now is not the time to abandon the target that we have set—that 50 per cent. of all new housing in London should be affordable?

The Prime Minister: Fifteen thousand houses are being built in London in the course of a year. The Mayor has raised the target to 30,000, but he also wants 50 per cent. of those houses to be affordable housing. It is very sad that the Conservative mayoral candidate for London has abandoned pursuing that target, in the event that he were ever elected. Surely in London, of all places, we need more affordable housing. We will deliver it; the Conservatives would not.

Robert Neill (Bromley and Chislehurst) (Con): Can the Prime Minister explain how a London Underground public-private partnership contract that charges out a

technician at the rate of £140,000 a year meets the Government's targets for best value? Who shall we blame for this state of affairs?

The Prime Minister: We are increasing usage of the underground in London from 1 billion passengers a year to 1.5 billion passengers a year. Public transport in London has never been better as a result of the decisions that we are taking. Unfortunately, it would be cut by the Conservatives.

Q4. [195063] **John Mann** (Bassetlaw) (Lab): It seems certain that coal miners' beat knee is about to be made a prescribed industrial disease. In order that we can avoid another feeding frenzy for solicitors, will the Prime Minister get his Ministers to meet interested MPs to see whether a scheme can be established that gives value for money to the taxpayer, fair compensation to the coal miner and nothing to the solicitor?

The Prime Minister: I understand that the Industrial Injuries Advisory Council is currently looking at this very issue and at whether the disease should be prescribed and therefore liable to compensation and help. It will make recommendations to Ministers at the Department for Work and Pensions in due course, and we will take action on that. I can say to my hon. Friend that it is only because we have taken action on industrial diseases over these past 10 years that miners are now receiving the compensation that they never received under the previous Government.

Annette Brooke (Mid-Dorset and North Poole) (LD): 2008 is the year of reading. Is the Prime Minister aware that many visually impaired and dyslexic children cannot obtain vital textbooks in accessible formats? Last year, the Government made a welcome commitment to improve the provision of such materials. Will he ensure that that commitment is delivered?

The Prime Minister: I had the privilege of being at the launch of the national year of reading. It is very important to encourage all children to get the benefits of reading. The hon. Lady rightly raises the problem of dyslexic children and others who are in need of special help. I will look at everything that she says on that matter and write to her.

Q5. [195064] **Helen Southworth** (Warrington, South) (Lab): Will my right hon. Friend take action to protect children and young people from harmful content on the internet and in video games?

The Prime Minister: My hon. Friend has been very active in protecting children, particularly children who are away from their homes, from abuse and exploitation. As she may know, we have set up the review under Dr. Tanya Byron, which is to look into the evidence of harm and measures to protect children from inappropriate content online. I have talked to Dr. Tanya Byron about her review. She will report soon. I believe that she will make recommendations that will take into account the need to see the internet as a means by which people get access to learning materials and to new technology but also as a danger and a harm on which we have to take action where necessary. I hope that my hon. Friend will look forward to Dr. Byron's report.

Q6. [195065] **Mr. Robert Goodwill** (Scarborough and Whitby) (Con): Is it right that a person who has been given a driving ban for a serious offence such as causing death by dangerous driving and is subsequently given a prison sentence for an unrelated criminal offence can continue to use up their driving ban while in prison? Should it not be deferred until they are released?

The Prime Minister: The hon. Gentleman raises an important point, and we will look at it.

Q7. [195066] **Albert Owen** (Ynys Môn) (Lab): Last Saturday's grand slam victory shows the sporting skills and passion of the Welsh nation. In looking forward to the Olympic games in 2012 and the opportunities that they will provide to Welsh communities such as my own, Ynys Môn, which has been chosen for potential training facilities for athletes from across the world, does the Prime Minister agree that the legacy from the Olympics must be spread across the United Kingdom, and will he urge his Ministers to work with the devolved Administrations and the Olympics committee to ensure that that legacy crosses the United Kingdom and peripheral areas such as north-west Wales?

The Prime Minister: I hear that my hon. Friend has a sore throat, no doubt from cheering all over the weekend. I, too, send my congratulations to the captain and the manager of the Welsh team on their great success in the international championship.

My hon. Friend is absolutely right. The benefits of the Olympics must be spread across the whole country. That is the intention behind persuading the different teams to do training in particular areas of the country before they arrive in London. I understand that the Australian Paralympics team are going to base themselves in Wales for the pre-games camp. I hope that in other areas of the country, regions, cities and towns will see the benefit of such activity as we move forwards to 2012. The Olympic games are for the whole United Kingdom, and I believe that that is how the public see them.

Mr. Nigel Evans (Ribble Valley) (Con): Can the Prime Minister tell the House how many post offices are due for closure in his constituency? Is he fighting to keep them open, as his Cabinet colleagues are doing in their constituencies? Does he not find it rather bizarre that they are fighting against a policy of his and of his Government that is doing so much damage to the post office network in this country?

The Prime Minister: The post offices are losing half a million pounds a day. I, too, want to see good services for post offices in every part of the country, but the fact of the matter is that there are 800 post offices where, on average, 16 people attend every week. We have got to take action. I take it from the motion that the Conservatives have tabled for debate today that they are not proposing extra money to save the post offices. Unfunded promises are empty and hollow promises to the people of this country. We have put aside £1.7 billion to make such money available to the post office network. I can only repeat what the chairman of the National Federation of SubPostmasters said this morning:

"Post Offices do not have the customer base they used to have many years ago. Many Post Offices are far quieter than they used to be and...although this is unpopular closing two and a half

thousand Post Offices, it is necessary to make sure that the remaining eleven and a half thousand have a future."

That is what we intend: to make sure that they do have one.

Several hon. Members *rose—*

Mr. Speaker: Order. Before going any further, Mr. Evennett, it is not your purpose to come into this Chamber to shout down the Prime Minister, or any other hon. Member who is addressing the House—and that goes for a few others. I will not tolerate this situation.

Q8. [195067] **Graham Stringer** (Manchester, Blackley) (Lab): A constituent of mine will have approximately £1,500 less spent on him for public services than the exact equivalent in Glasgow. There is increasing anger in the English regions about the Barnett formula, which is a threat to the Union. Will my right hon. Friend agree to review this formula?

The Prime Minister: We are due to publish a paper on the Barnett formula soon, but I say to my hon. Friend that the allocation of funds in the United Kingdom is based on a needs assessment that started more than 30 years ago, has been agreed by all parties subsequently, and has been followed by every Government since. It is based on the idea that we should allocate resources in the UK on the basis of need. That is the basis on which the Barnett formula exists.

Mr. Douglas Hogg (Sleaford and North Hykeham) (Con): The right hon. Gentleman will know that the Lincolnshire police authority has increased its precept by 78.9 per cent. That is the result of continuous underfunding due to a grants system that does not properly address the needs of rural areas. Would he please ensure that in the coming year there is a special one-off payment to help, and that in future the grants system is adjusted so that forces such as Lincolnshire get proper resources?

The Prime Minister: We have promised police authorities a minimum of 2.5 per cent. extra per year for the next three years. I have not seen similar promises to fund policing made by the Conservative party. As a result of doubling expenditure on police since 1997, we have more police than ever before in our history, and we are better served by police and community support officers. I hope that the right hon. and learned Gentleman will agree that that is one of the reasons why crime has fallen in this country.

Q9. [195068] **Ms Celia Barlow** (Hove) (Lab): Figures revealed to me show that 10,500 households in Brighton and Hove are currently waiting for council homes fit to live in. Some are rehoused 20 miles away in temporary accommodation, while others are in private rented accommodation that is substandard to say the least. What additional powers will the Prime Minister make available to Members of Parliament to force Tory-led local authorities such as mine to build more affordable homes?

The Prime Minister: There is a desperate need for more houses in this country, and it is important that all the agencies that can make possible the building of housing do so. Therefore, it is sad to see that some Conservative and Liberal authorities are unprepared to build the houses needed. We are prepared to make additional funding available, as we have shown. I hope that local authorities in every area of the country will respond to the urgent need.

Q10. [195069] **Mr. John Leech** (Manchester, Withington) (LD): My constituent, Adela Mahoro Mugabo, who is HIV positive after being raped and tortured in Rwanda, is threatened with being sent back to that country, where she will not be able to access the treatment that she requires to stay alive. Will the Prime Minister intervene to stop that travesty of justice?

The Prime Minister: I am very happy to look at the case that the hon. Gentleman mentions. Obviously, there is no reason to believe that people being returned to Rwanda, which is now a peaceful country, will be tortured or in difficulties as a result of that. If there is an issue about the treatment of this particular patient, we will obviously consider it.

Q11. [195070] **Ben Chapman** (Wirral, South) (Lab): Can it be right that a tax exile is allowed to spend unlimited amounts of funding on political campaigning outside an election period? Is it not time that that issue was tackled, and is not that best done by getting all the political parties back around the table to agree a settlement that is acceptable to all?

The Prime Minister: We have made proposals to reform party funding and we will introduce a White Paper on the matter soon. It is important to acknowledge that most of the public want a ceiling on election expenditure and on individual contributions. We are considering that; it is unfortunate that it does not have all-party support.

Greg Mulholland (Leeds, North-West) (LD): Yesterday, I was pleased to present a petition to the Prime Minister on behalf of my constituent, Mr. Ali Pourkaberian, an Iranian Christian who was supposed to be deported. We were delighted to get the news on the same day that his deportation has been put on hold. However, when will the Government accept that deporting Christians, homosexuals or anyone else whom the objectionable regime in Iran does not like is simply not facing up to our human rights responsibilities?

The Prime Minister: I think that we do face up to our human rights responsibilities, and when there is a proven case on which we can act, we will take action. I do not know about the individual case, but it is important to ensure that the system is used fairly and that decisions are made in the right way at all times.

Q12. [195071] **Mr. Martin Caton** (Gower) (Lab): It is clear that the international drive for biofuels is doing more harm than good for food security and biodiversity, and even in combating climate change. Will my right hon. Friend take a lead in Europe by calling for the current targets to be abandoned until we have a truly sustainable generation of biofuels?

The Prime Minister: I attended the European Council last Friday and we are holding fast to the general environmental targets, which include a 60 per cent. or

more reduction in carbon emissions by 2050. My hon. Friend will have noted the Chancellor's proposals on biofuels in the Budget. Of course, we wish other countries to do as we are doing in making it clear that we will make the necessary changes, based on the scientific evidence.

Angela Watkinson (Upminster) (Con): What assessment has the Prime Minister made of the independence and effectiveness of Postwatch in representing the best interests of post office users?

The Prime Minister: The consultation process leads to three different stages, in which Postwatch is involved. As a result, 10 per cent. of the proposals have been changed. There is an additional stage that has been agreed whereby the chairman of the Post Office, Mr. Leighton, will examine any individual representations that are made to him after those stages. I believe that there is, therefore, a set of opportunities for people to put their case. The fact that 10 per cent. of changes have been reversed shows that the Postwatch system is working.

Q13. [195072] **Jessica Morden** (Newport, East) (Lab): Gift aid makes a genuine difference to many charities, which will welcome the transitional measures that were announced last week in the Budget to help soften the blow caused by the reduction of the basic rate of income tax. Will the Prime Minister reassure charities in my constituency that there is a long-term plan, past the three years referred to, to ensure that there is no reduction in income and that we can drive up levels of giving through gift aid?

The Prime Minister: I am grateful to my hon. Friend. We provided £100 million a year as transitional support for those who receive gift aid relief as charities to enable them to deal with the consequences of reducing the basic rate from 22p to 20p. We have also introduced several other measures, such as a comprehensive programme for bringing additional smaller charities into gift aid and outreach to many new charities to help them use gift aid to advantage. Of course, in the past few years, the amount of tax relief available to charities has risen from £1.9 billion to £2.9 billion. That is £1 billion extra through tax relief going to the charities of this country. That would not have been possible without proper economic policies that were working for the people of Britain.

Q14. [195073] **Miss Anne McIntosh** (Vale of York) (Con): The Prime Minister will be aware that the global economic downturn is sending jitters through the whole economy. He will also be aware that there is a delay in the European Union on a decision regarding state aid for Northern Rock. That will obviously be causing great concern to those whose jobs are at risk and to small investors in Northern Rock, such as me. When does he expect the Commission to give a ruling on state aid provisions for Northern Rock?

The Prime Minister: I hope, therefore, that the hon. Lady would support the policy that we have proposed on Northern Rock, as someone who has followed what has happened, and that she might disagree with what those on the Opposition Front Bench have done. As far as the European Union is concerned, we are in discussions with the Union, and I believe that it will approve our proposals. I believe that our proposals are right for the company, right for the work force and right for the stability of the economy, and I believe that we will make progress very soon.

Q15. [195074] **Mr. Gordon Marsden** (Blackpool, South) (Lab): Does my right hon. Friend agree that regenerating small towns and cities is as key as regenerating large ones, and that universities can be part of that process? With that in mind, will he welcome and encourage the ambitious plans of Blackpool and the Fylde college to give a new cutting edge to the leisure and creative industries and to business, in our university plans in Blackpool?

The Prime Minister: My hon. Friend is a persistent campaigner on behalf of Blackpool and its regeneration. It is important to recognise that colleges of education, colleges of higher education and universities are some of the biggest employers in our towns and cities. It is only because of the Government's policies to expand higher education, to have more students and apprenticeships, and therefore to have more people staying on at school in education afterwards, that it is possible to contemplate new universities in this country, and that is exactly what we are going to do.

National Security Strategy

12.31 pm

The Prime Minister (Mr. Gordon Brown): The primary duty of Government, and our abiding obligation, is and will always be the safety of all British people and the protection of the British national interest, so, following approval by the National Security Committee and the Cabinet, the Government are today publishing the first national security strategy. It states that although our obligation to protect the British people and the British national interest is fixed and unwavering, the nature of the threats and the risks that we face has in recent decades changed beyond all recognition and confounds all the old assumptions about national defence and international security. As the strategy makes clear, new threats demand new approaches. A radically updated and much more co-ordinated approach is now required.

For most of the last century, the main threat was unmistakable: a cold war adversary. Today, the potential threats that we face come from far less predictable sources, both state and non-state. Twenty years ago, the terrorist threat to Britain was principally that from the IRA; now it comes from loosely affiliated global networks that threaten us and other nations across continents. Once, when there was instability in faraway regions or countries, we had a choice: to become involved or not. Today no country is, in the old sense, far away, when the consequences of regional instability and terrorism, as well as risks such as climate change, poverty, mass population movements and even organised crime, reverberate quickly round the globe.

To address these great insecurities—war and terrorism, and now climate change, disease and poverty; threats that redefine national security not just as the protection of the state, but as the protection of all people—we need to mobilise all the resources available to us. They include: the hard power of our military, police, security and intelligence services; the persuasive force and reach of diplomacy and cultural connections; the authority of strengthened global institutions, which can deploy both hard and soft power; and, not least because arms and authority will never be enough, the power of ideas and of shared values and hopes that can win over hearts and minds and forge new partnerships for progress and tolerance, involving Government, the private and voluntary sectors, community and faith organisations, and individuals.

The foundation of our approach is to maintain strong, balanced, flexible and deployable armed forces. I want to pay tribute to Britain's servicemen and women, and those civilians deployed on operations, who every day face danger doing vital work in the service of our country, and in particular to remember today the sacrifices made for our country by all who have been injured or who have lost their lives in recent years in Iraq, Afghanistan and other theatres of war.

To raise recruitment and to improve retention in our armed forces, we will match our new public information recruitment campaign, launched this week, with the Government's first ever cross-departmental strategy for supporting our service personnel, their families and veterans. This will be published shortly.

In the past two years we have raised general pay levels and introduced the first tax-free bonus of nearly £400 a month for those on operations, as well as a council tax refund, and today the Secretary of State for Defence is announcing new retention incentives for our armed forces. There will be increased commitment bonuses of up to £15,000 for longer-serving personnel, and, starting with a new £20 million home purchase fund, we will respond to the demand for more affordable home ownership for servicemen and women.

I can also inform the House that, to meet the threats ahead, after a trebling of its budget since 2001, the Security Service will rise in number to 4,000, which is twice the level of 2001. I can also inform the House that we will be increasing yet again, this time by 10 per cent., the resources for the joint terrorism analysis centre, which brings together 16 departments including the police and intelligence agencies, and giving it a new focus on the longer-term challenge of investigating the path to violent extremism.

I can also confirm that, to meet future security needs, we have set aside funds to modernise our interception capability; that at GCHQ and in the Secret Intelligence Service, we are developing new technical capabilities to root out terrorism; and that the new Centre for the Protection of National Infrastructure, which we set up last year, will provide a higher level of protection against internet-based threats.

The strategy published today will be backed up by a new approach to engage and inform the public. Two years ago, we removed from being classified as secret the information on threat levels for the UK. We will now go much further. Starting later this year, we will openly publish for the first time a national register of risks—information that was previously held confidentially within Government—so that the British public can see at first hand the challenges that we face and the levels of threat that we have assessed.

To harness a much wider range of expertise and experience from outside Government, and to help us plan for the future, we are inviting business, academics, community organisations and military and security experts from outside Government to join a new national security forum that will advise the recently constituted National Security Committee. Having accepted the recommendation of the Intelligence and Security Committee—I thank it for its work—to separate the position of Chairman of the Joint Intelligence Committee from policy adviser to the Government, and having appointed Mr. Alex Allan as Chair of the JIC, I can confirm that, as proposed by the Butler review, his responsibility will be solely to provide Ministers with security assessments formulated independently of the political process.

We will also immediately go ahead to introduce a resolution of both Houses—in advance of any future legislation—that will enshrine an enhanced scrutiny and public role for the Intelligence and Security Committee. This will lead to more parliamentary debate on security matters, to public hearings on the national security strategy, and—as promised—to greater transparency over appointments to the Committee, so that the Committee can not only review intelligence and security but perform a public role more akin to the practice of Select Committees generally in reporting to and informing the country on security matters.

Emerging from all the experience and lessons learned of the last decade is the clear conclusion that we are strongest when we combine the resources of our military, police and security and intelligence services with effective

[The Prime Minister]

diplomacy, and when we work closely with international partners to confront the new global challenges and bring about change. This approach emphasises the importance of strengthening our key diplomatic and military alliances: with the United States, our strongest bilateral partner; with NATO as the cornerstone of our security; with our central role at the heart of an outward-facing European Union; and with our long-lasting and deep commitment to the Commonwealth and to working through international institutions.

I can tell the House that Britain will be at the forefront of diplomatic action on nuclear weapons control and reduction, offering a new bargain to non-nuclear powers. On the one hand, we will help them, and we have proposed the creation of a new international system to help non-nuclear states to acquire the new sources of energy that they need, including through our proposed global enrichment bond, and we are today inviting interested countries to an international conference on these important themes later this year.

In return, we will seek agreement on tougher controls aimed at reducing weapons and preventing proliferation—first, by ending the stalemates on the fissile material cut-off treaty and the comprehensive nuclear test ban treaty and, secondly, by achieving, after 2010, a more robust implementation of the nuclear non-proliferation treaty with the aim of accelerating disarmament among possessor states, preventing proliferation and, ultimately, freeing the world from nuclear weapons. And, as a new priority to meet the dangers both of proliferation to new states and of material falling into the hands of terrorists, we propose not only tougher action against potential proliferators such as Iran but new action against suppliers. We are seeking to strengthen export control regimes and build a more effective forensic nuclear capability in order to determine and expose the true source of material employed in any nuclear device. Having already reduced the number of our operationally available warheads by 20 per cent. and made our expertise available for the verifiable elimination of warheads, I can confirm that we, Britain, are ready to play our part in further disarmament.

As great a potential threat and as demanding of a co-ordinated international response is, of course, the risk from failing and unstable states. Again, the national security strategy published today proposes a new departure—and, again, it is a lesson learned from recent conflicts ranging from Rwanda and Bosnia to Iraq, Afghanistan and Somalia. It proposes to create a stand-by international civilian capability so that for fragile and failing states, we can act quickly and comprehensively by combining the humanitarian, peacekeeping, stabilisation and reconstruction support that those countries need. In the same way as we have military forces ready to respond to conflict, we must have civilian experts and professionals ready to deploy quickly to assist failing states and to help rebuild countries emerging from conflict, putting them on the road to economic and political recovery.

I can tell the House that Britain will start by making available a 1,000-strong UK civilian stand-by capacity that will include police, emergency service professionals, judges and trainers. I am calling on EU and NATO partners to set high and ambitious targets for their contributions to such a force.

Between now and 2011, Britain is offering £600 million for conflict prevention, conflict resolution and stabilisation work around the world, including work in Israel and Palestine, Darfur, the Democratic Republic of the Congo, Iraq and Afghanistan, Kenya and the Balkans. As we assume our presidency of the UN Security Council in May, we are proposing an appeal by the UN Secretary-General for a co-ordinated crisis recovery fund to provide immediate support where reconstruction is needed, to which Britain will be prepared to contribute.

Specifically, because we know the importance of peace in Darfur, I am announcing today more help from Britain to train, equip and employ African troops for the joint UN-African Union peacekeeping operation. Given the importance of safeguarding peace in Somalia, I can announce that Britain will help to pay for 850 Burundian troops as part of the African Union peacekeeping force there. Given the critical importance of economic and political reconstruction complementing military action as the elected Afghan Government face down the Taliban, we are proposing an integrated civilian-military headquarters—headed by a civilian—that will now be constituted in Helmand. And in Iraq, where we have already brought electricity and water supplies to more than 1 million citizens, we are stepping up our contribution to the work of long-term economic reconstruction by supporting the Basra development commission, led for the British by the businessman Michael Wareing who is doing an excellent job.

In order to maximise our contribution to all the new challenges of peacekeeping, humanitarian work and stabilisation and reconstruction, the Secretary of State for Defence is also announcing this afternoon that, as part of a wider review, the Government will now examine how our reserve forces can more effectively help with stabilisation and reconstruction in post-conflict zones around the world. With this year being the 100th anniversary of the Territorial Army, I want to pay tribute to the servicemen and women in our reserves, who provide such an essential element of our nation's defence.

Mr. Speaker, the security strategy published today also makes it clear that, as well as being able to respond to crises as they develop, we need to be able to tackle the underlying drivers of conflict and instability. Those include poverty, inequality and poor governance, where by focusing on areas where poverty breeds conflict, we have quadrupled Britain's aid budget and we are pushing for bold international action to meet the millennium development goals.

The second set of underlying drivers is climate change and competition for natural resources, where we are leading the way in arguing for a post-2012 international agreement and for a new global fund to help developing countries mitigate and adapt to climate change, including in the areas most under stress and therefore most likely to suffer instability as well as humanitarian disasters.

The third drivers are disease and global pandemics, where, with the World Health Organisation, the priority is to improve early warning systems, to increase global vaccine supplies and to help put in place a more co-ordinated global response. Given the importance of building stability and countering violent extremism in the middle east and south Asia, we are also increasing the number of Foreign Office staff there by 30 per cent.

Among all the security challenges to citizens of this country covered by the new strategy, the most serious and urgent remains the threat from international terrorism. As the head of MI5 has said, Britain is facing 30 known plots and is monitoring 200 networks and about 2,000 individuals. There have been 58 convictions for terrorism in just over a year and the Home Secretary is announcing today that we will have four regional counter-terrorism units and four regional intelligence units, significantly increasing anti-terrorism police capability in the regions. Since the events of 11 September, on suspicion of being a threat to national security or fostering extremism, 300 individuals have been prevented from entering the country. Now—backing up the unified border agency, compulsory ID cards for foreign nationals and our proposals in the Counter-Terrorism Bill that would allow us in unique circumstances to extend detention to ensure full investigation of terror threats—the Government will match stronger action against those whom we suspect of stirring up tensions with collaborative work with our European partners to strengthen the EU rules on deporting criminals—a matter that I shall discuss with President Sarkozy when he visits Britain next week.

For action against terrorism and against organised crime, it is important to strengthen Europol and Eurojust, to ensure the rapid and secure exchange of information across borders, and to speed up the extradition of criminals and the confiscation of their assets. Starting with the United Arab Emirates, we are signing more agreements so that once the assets of a convicted criminal are seized in one country, with the assistance of the other, both countries will get a share of the proceeds.

Our new approach to security also means local resilience against emergencies: building and strengthening local capacity to respond effectively to a range of circumstances from floods to potential terrorism incidents. That means not the old cold-war idea of civil defence, but a new form of civil protection that combines expert preparedness at local level for potential emergencies with a greater local engagement of individuals and families themselves. Next month the Home Secretary and the Secretary of State for Communities and Local Government will report on additional measures that we propose for young people in colleges and universities, in prisons and working in faith communities to disrupt the promoters of violent extremism, all building on the support of the vast majority of people of all faiths and all backgrounds who condemn terrorism, terrorists and their actions.

The national security strategy shows a Britain resolute in the face of an unstable and increasingly uncertain international security landscape. It demonstrates the lessons that we and other countries have learnt in recent years: that we must expand our policing, security and intelligence capacity—and we are doing so; that we must do more to prevent conflict by, for instance, more effective international control of arms—and we are doing so; and that we must strengthen the effectiveness of international institutions to promote stability and reconstruction, for which we have presented proposals today.

We will always be vigilant, will never leave ourselves vulnerable, and will support and at all times and wherever necessary strengthen—as we do today—our defence and civilian support for national security.

I commend my statement to the House.

Mr. David Cameron (Witney) (Con): I thank the Prime Minister for his statement. Let me first put on record the huge debt of gratitude that we owe the police, the security services and our armed forces for the work that they do to keep our country safe.

The Prime Minister made a very wide-ranging statement, and there was much in it that we support. We welcome the idea, which we have long supported, of a stand-by civilian capacity so that we can act quickly in fragile or failing states. We also support the idea of a cross-cutting manifesto for forces' families. I set it out in my party conference speech two years ago, and I am glad that it is bearing fruit. We strongly back what the Prime Minister said about greater co-ordination of our effort in Helmand province. Anyone who has been there knows that that really is needed.

However, I want to focus my questions on the theory and practice of a national security approach. The statement has been a long time coming, and at first sight it looks—and sounded from the Prime Minister—rather more like a list than a strategy. It would help if instead of announcing a series of things that the Secretary of State for Defence or the Home Secretary is to announce, the Prime Minister simply told us more clearly what will change and why the position will be different. Owing to the tenor of his approach, that did not come across at all clearly. That may be because the strategy has had a very difficult birth. According to sources inside Downing street,

"it... has proved a bit of a disaster... Its genesis has been marked by delays, indecisiveness at the top, a total lack of funds"—

[Interruption.] I am reading because it is a very long quotation. The hon. Member for Dudley, North (Mr. Austin) has been warned before. He is slowly getting closer to the door—he used to sit behind the Prime Minister—and, as I said yesterday, apparently the door is what he will be going through. The quotation continues

"and some glorious Whitehall squabbling."

We will study the strategy in detail, but the idea of a national security strategy—

The Secretary of State for the Home Department (Jacqui Smith): Shocking!

Mr. Cameron: Shocking? It is shocking when people interrupt all the time when I am trying to reply to the statement.

The idea of a national security strategy is one that we welcome. The need for a national security approach is clear: the threats to our national security, from terrorism to climate change and energy security, have proliferated, and the Government must adapt to deal with them. That is why, in 2006, my party said that it was time not just for a national security strategy but for a national security council. Does the Prime Minister agree that a national security strategy will work only if it is put in place and carried out properly? To achieve that, three things must happen. First, institutions in the UK need to be properly organised to deliver a national security approach. Secondly, we need to understand fully the connections between foreign and domestic policy, and how they impact on our security. Thirdly, and vitally, any strategy will make sense only if the Government follow through and take all the necessary practical steps.

[Mr. Cameron]

Let me take each of those in turn. Can the Prime Minister explain why the Government have decided to set up a national security forum—another talking shop—instead of a proper national security council? Surely, a proper national security council would have dedicated staff—*[Interruption.]* Perhaps the Prime Minister will sit and wait, then he can answer the questions at the end. A proper national security council would have dedicated staff and decision-making powers. It would be at the heart of Government, with all the relevant Ministers, and it would be chaired by the Prime Minister. We do not have that; we should have it. Can he explain how a forum and an existing Cabinet committee can drive the implementation of a national security strategy across all Departments? Are we not in danger of having a talking shop and confusion?

On the connection between foreign and domestic policy, is there going to be a properly joined-up approach? The Prime Minister talked about a single security budget, but will it genuinely cover all the areas? For instance—and I have asked him about this before—will the single security budget include special branch, which is currently funded by separate forces? The United Kingdom must retain the power, properly funded, to intervene abroad militarily when necessary, as the strategy says, but we must understand that military operations abroad have consequences for security at home. As the Joint Intelligence Committee warned, our interventions in Iraq and Afghanistan, which we supported, increase in the short term the threat of terrorism domestically in the UK, yet we have to ask whether all the necessary action was taken domestically at the time. It is clear that the answer is no.

That leads to the third issue—the importance of following through on the national security strategy. The Prime Minister has a number of questions to answer. First, why, despite Government statements to the contrary, has he still not banned Hizb ut-Tahrir, which is clearly a gateway group that seeks to poison young minds against our country and way of life? *[Interruption.]* He says, "My goodness", but the previous Prime Minister said that he would ban it, so why has it not happened? Why, despite rightly preventing the preacher of hate, Yusuf al-Qaradawi, from entering Britain following our recommendation to do so, has he not followed the lead of the Irish Government and excluded Ibrahim Moussawi, a spokesman for the terrorist organisation, Hezbollah, who recently conducted a speaking tour of the UK? Why has his Government allowed public money to end up in the hands of extremist groups such as the Muslim Brotherhood? Does he understand the damage done to our reputation by the perception that the UK has allowed itself to become a terrorist breeding ground and a threat to others? Why, despite the urgent need to secure our borders, does he still refuse to create a proper border police force with enforcement powers? What is holding him back from those obvious and necessary measures?

May I end by asking the Prime Minister to begin his response by answering the following question? A national security approach will not succeed unless we learn from the mistakes that have been made in the past. In the statement, he talked about learning the lessons from conflicts such as Rwanda and Iraq. With that in mind, does he not think it is time to establish the promised inquiry into the conduct of the Iraq war? To say that that cannot be done while our forces are still in Basra is effectively to kick this into the very long grass, and it flies in the face of the fact that the United States, for instance, has held such inquiries. When he stands at the Dispatch Box, will he answer that question and tell us when we will have that inquiry, which, if we are to make a national security strategy work, is clearly needed.

The Prime Minister: I am grateful to the right hon. Gentleman for his support for the standby facility and for the co-ordination of our efforts in Helmand. I am grateful, too, for his support for our armed forces and security services generally. I am afraid, however, that only he can trivialise a national security statement. If he had done his research, he would know that there is a National Security Committee, which includes the Chief of the Defence Staff, the chairman of the Joint Intelligence Committee, the heads of all the intelligence agencies—MI5, MI6 and GCHQ—the Metropolitan Police Commissioner, and the head of the Association of Chief Police Officers, who attend the meetings. The terms of reference are to consider issues relating to national security and the Government's international and European policies, as well as their international development policies. What the right hon. Gentleman is asking for we have already. It is chaired by the Prime Minister, and it met only last week. It meets regularly to look at the relationship between domestic and international issues, and it has been in existence for several months, apparently without his knowing about it.

The right hon. Gentleman raised the question of an inquiry on Iraq and asked what lessons we have learned. I made it very clear in my statement that we are expanding our policing, security and intelligence capability. We want to do more on the early prevention of conflicts by more effective international control of arms. We want to strengthen the international institutions to promote stability and reconstruction, and, of course, our forces, including the security forces, are always vigilant. As for an inquiry, four inquiries have reported to the House on conditions related to the action in Iraq. It would not be a good use of Ministry of Defence resources to have to reply to an inquiry, when we have troops in Iraq and Afghanistan. It would not be right, when we have troops in danger and at risk, particularly in Iraq, for the country to turn its attention to an inquiry instead of doing everything we can to protect them. We will therefore be consistent in our judgment, even if his party is not consistent on this matter, that the right time to look at these issues and review the lessons learned is when our troops have finished the work in Iraq, which they are conducting with great efficiency. They deserve our full support, the wholehearted attention of the Ministry of Defence and the support of all the institutions of government.

I take issue with the right hon. Gentleman about the thesis behind the work that we are doing. As I said at the beginning of the statement, there is growing recognition that we cannot distinguish between issues that are somehow "over there", as if they have no effect on our country, whether they concern the environment, terrorism or national disasters, and what happens in our own country. It is a fact, as we found with 11 September, that the richest citizen in the richest city in the richest country

can be directly affected by what is happening to the poorest citizens in the poorest countries in other parts of the world. Our security strategy must reflect that, which is why we are looking at what we can do internationally on the control of weapons and to rebuild international institutions. That is why, too, we are looking at what we can do domestically do improve our resilience.

The right hon. Gentleman raised the issue of people who have come into the country. Three hundred potential terrorists or people suspected of extremism have been refused admission into the UK in recent years, so we are alert in taking action against those who pose a danger. As he knows, the decision was made to refuse Mr. al-Qaradawi a visa—he has not applied for entry into the UK—for this country. Mr. Moussawi came to the UK in December and again on 28 February. On both occasions, his visit passed without incident. In all those cases, however, we keep matters under review. In relation to Hizb ut-Tahrir, I have said that we will be vigilant in examining its activities. Our consistent advice is not to give that organisation the oxygen of publicity by banning it. We wish, however, to keep it under review. We will always take the action that is necessary, but we will look at it case by case, and everyone with a sensible voice on these matters in the House would propose that we do so.

Mr. Nick Clegg (Sheffield, Hallam) (LD): I am grateful to the Prime Minister for his statement. Before dealing it, may I say that we have witnessed some breathtaking political opportunism, because the leader of the Conservative party pressed for an inquiry into a war that he and all his colleagues signed up to support lock, stock and barrel, with no questions asked? Perhaps we need an inquiry into how his party has flip-flopped on Iraq.

I agree that an overarching view of the different threats to our nation's security is necessary. However, I hope that the Prime Minister agrees that the document that he has put before the House is the beginning, rather than the end, of the process. What we have heard today is an assessment of what the threats are, but not quite yet a strategic overview of how all those threats will be tackled. I hope that more time will be made available to the House to examine the document in greater detail.

Does the Prime Minister agree that many of the threats he has enumerated—terrorism, climate change, cross-border crime—cannot be dealt with by the United Kingdom on its own, and, indispensably, we can deal with them only as full and committed members of the European Union? I noted that in his statement he referred to the EU only third after the United States and NATO as a crucial forum in which many of the collective security threats will be tackled. Does that attach enough significance to the extent to which our membership of the EU affords us a certain safety in numbers?

The Prime Minister has in the past talked about drawing red lines in Brussels. I wonder whether the time has now come for him also to draw red lines in our relationship with Washington. Why, for instance, has he entered into a secret deal with the United States Administration to base George Bush's "son of star wars" missile defence system on British soil? Does he seriously think that that enhances our national security?

The Prime Minister spoke about the need to have strengthened global institutions. I agree with that. We all agree that we need a rules-based multilateral system to safeguard all our security. Does he, however, think it is compatible with that view of the value of a strong, multilateral, rules-based system that he has been completely silent—so far at least—on President Bush's veto of the proposed ban on the use of torture by American military personnel around the world?

I hope the Prime Minister will also agree that security and liberty are two sides of the same coin. We should never be forced to accept that there should be a trade-off of one in favour of another—that our security can be promoted only by a sacrifice of our liberty. For that to be the case, does he also agree that any measures that infringe on our liberty in the name of security must be based on overwhelming, compelling evidence that they are necessary, and does he truly think that the Government have yet marshalled that overwhelming, compelling evidence in favour of their proposal to extend further the period of detention without charge?

The Prime Minister spoke of a wider review being undertaken by the Secretary of State for Defence. We all know that our armed forces are overstretched, overcommitted and under-resourced. Does the Prime Minister agree that as it has been 10 years since there was a full strategic defence review, it is high time that he announced a new full strategic review of our defence capabilities for today and the years ahead?

The Prime Minister: I hope the right hon. Gentleman will also acknowledge that we are spending more on defence every year, and we are making equipment available to our armed forces that was not available in the past. The Chief of the Defence Staff said only a few days ago that the forces were now better equipped than at any time for 40 years. That is because we have not only increased the budget for defence, but we have made available what are called urgent operational requirements to the Ministry of Defence, as a result of which £3.3 billion has been spent in Iraq and Afghanistan in the past two years—exactly the money the right hon. Gentleman was opposing only a few minutes ago when he raised another question in this House.

I have to correct the right hon. Gentleman on one or two issues. The ballistic missile defence system is for the Czech Republic and Poland, not the United Kingdom. The European Union does not have an official role in foreign and security policy; it is an intergovernmental organisation, in part for dealing with defence and security policy. He should understand that that is how the European countries interact for the preservation of security, and that that is why NATO is so important—and also why the Bucharest summit in the next few days is so important.

I also hope that the right hon. Gentleman supports what we have done for the armed forces, with up to £15,000 for retention so we can retain more of our highly qualified people in our armed forces for longer. That announcement of today will raise the number of people in the establishment—in the Army, Navy and Air Force—to a higher level than before.

As for the issue of torture, the right hon. Gentleman will know of our record of opposing torture in every part of the world. As for what he says about the powers

[The Prime Minister]

of detention, he—and even the Conservative party—has supported the Liberty proposals that say there may be circumstances in which more than 28 days is necessary for arresting and interviewing someone before charge. I believe he should look seriously at the similarities between the original Liberty proposals and those we are putting forward. We are not saying that in every circumstance someone who is detained must be detained for up to 42 days; we are saying that there should be a reserve power and that if the Home Secretary, with others, decides it should be used, she would come to the House of Commons and ask for that power to be activated. That is very similar to the power proposed by Liberty that the right hon. Gentleman supported because he recognised that there may be circumstances in which it might be necessary to go beyond 28 days. That is not what is at dispute, even though he wants to think that is the issue. The issue is the mechanism that we use. I hope the Liberal party will rethink what I believe is an incredible position on this issue.

Margaret Beckett (Derby, South) (Lab): I warmly welcome the publication of this first national security strategy and its rich content, not least its drawing together of issues such as climate change and nuclear non-proliferation, which tend to be dealt with separately in public debate, but which are obviously part of a continuum in public policy making. I also very much welcome what the Prime Minister said about both the work of the Intelligence and Security Committee and greater resources for the agencies it monitors. Will he confirm that he recognises—as, I believe, does the Committee—the importance of maintaining the delicate balance between a welcome greater openness to Parliament and the public, and maintaining the operational effectiveness of those agencies on which our security so much depends?

The Prime Minister: I am grateful to my right hon. Friend for her comments. She pushed for non-proliferation when she was Foreign Secretary and made very important disarmament proposals, and we have drawn on the work she has done in today's national security strategy document. I also appreciate the work she is now doing as Chairman of the Intelligence and Security Committee. We will go ahead with our proposals, with a resolution to the House, for more parliamentary debate on security matters, and I believe all Members will welcome the fact that there will be wider debate on these issues. The national security strategy can be subject to hearings in public before the Intelligence and Security Committee, and I believe that there is agreement among Committee members that that would be a good thing to do. There will also be greater transparency over appointments to the Committee. I believe that these three measures will give the Committee an enhanced role in explaining to the public some of the difficult and complex issues of national security, but we will do nothing to put at risk what my right hon. Friend rightly says is the delicate and balanced relationship between the need to inform the public and the need to retain the support and confidence of security agencies, which do so much for the good of the country but which have to be protected in the work they do for reasons all Members regard as obvious. I believe that our proposals get the balance right.

David Maclean (Penrith and The Border) (Con): The Prime Minister rightly paid tribute to the magnificent work that the Territorial Army is undertaking in overseas war zones. Will he and the Defence Secretary look to give an enhanced domestic role to the TA in dealing with security incidents at home, should they happen? If there is a major terrorism incident in this country, the regular Army and our security services will be hard-pressed. There could be an ideal role for the Territorial Army both in contributing to the security containment zone that will have to be set up, and in terms of the specialist units and dealing with the clean-up and the aftermath. The Territorial Army used to have a domestic role when some of our battalions were committed to NATO. This could be an ideal future role for it.

The Prime Minister: The right hon. Gentleman makes a very important point, and I am grateful that there is a bipartisan approach. The review of the Territorials—it is 100 years since they were created, and it is appropriate that we have this review now—will look at exactly the issue he raises: their domestic as well as their international role. He rightly says that volunteers and the Territorial Army have played a great role in civil emergencies in recent years; we want to look at that as part of the review, and I hope the right hon. Gentleman will feel able to contribute to it.

Keith Vaz (Leicester, East) (Lab): I, too, warmly welcome the Prime Minister's statement, with its emphasis on co-ordination and benchmarking. On parliamentary accountability, the last time the Select Committee on Home Affairs took evidence from the head of MI5 we travelled in a car that had darkened windows, we entered the building through the garage and we had a private session. Even though the information he gave us was excellent, we could not quote from it in our report. Will other Committees be able to take evidence from the head of MI5 in public, where it better informs us of decisions, so that we can report back to Parliament?

The Prime Minister: My right hon. Friend rightly points to the co-operation and briefings that he has received as part of the Home Affairs Committee's work from the head of MI5. We should return to the question asked by my right hon. Friend the Member for Derby, South (Margaret Beckett). It is important to get the balance right between the desire to show to the public as much as possible of the work that we are doing in the most open and transparent way and the need to protect our security services in the work that we do. We will continue to get that balance right.

Mr. Nicholas Soames (Mid-Sussex) (Con): Does the right hon. Gentleman accept that although there are things to welcome in this statement—to call it a strategy would be to over-egg the pudding—as so often with the Prime Minister, the rhetoric collides with the reality? We no longer have strong, balanced and flexible armed forces—they are grossly overstretched and underfunded, and we cannot go on paying retention bonuses for anything other than a sticking plaster operation. The right hon. Member for Sheffield, Hallam (Mr. Clegg), the leader of the Liberal Democrats, is right to call for a

defence review so that some necessary major procurement decisions may be taken for the future. We cannot run a procurement policy on urgent operational requirements. We must be able to take the decisions about the carriers and about Trident, areas that all need examining again.

The Prime Minister: We have already made our decisions about Trident and have set aside the money for that to happen. We have set aside money for aircraft carriers as well. We have the biggest equipment budget in history and, at the same time, we are spending more current money on our defence forces every year. That is why we have the second largest defence budget in the world. I believe that the hon. Gentleman is wrong to say that our defence forces are not strong—they are strong and we are proud of them for being strong, and they are flexible and we are proud of them for being flexible. I know that he is a prolific reader, but I doubt whether he has read the full national security strategy in the past few minutes. I hope that on reflection, once he has read it, he will be able to praise the work that we have done and contribute to the debate on it for the future. We will annually update the national security strategy, and obviously we welcome any comments from him.

Tony Lloyd (Manchester, Central) (Lab): I very strongly welcome the parts in my right hon. Friend's statement about nuclear weapons, not least because the terrorists' capacity to obtain them is a serious one. In the same vein, does he recognise that biological and chemical weapons possibly pose an even bigger threat? It is probably easier for terrorists to obtain access to those weapons because of the nature of them. Will he give the same urgency to dealing with chemical and biological weapons—the so-called "poor man's nuclear weapons"?

The Prime Minister: I am grateful to my hon. Friend, who takes a huge interest in these matters having been a Minister at the Foreign Office. He rightly says that although I emphasised in my statement the measures that we wish to take to promote nuclear disarmament, references are also made in the national security strategy document to the dangers and risks posed by chemical and biological weapons. He is right to say that the dangers of those weapons falling into the hands of potential terrorists mean that we have to examine not only the owners of those weapons but who is supplying them. We now have excellent ability to do post-fact detection of who the supplier is, which should enable us to locate the suppliers of chemical, biological and nuclear weapon parts and take strong action against them. That is an important part of the national security strategy that we have published.

Mr. Elfyn Llwyd (Meirionnydd Nant Conwy) (PC): What role does the Prime Minister foresee for Her Majesty's Coastguard in national security?

I was in Darfur a few weeks ago, where I was briefed by some African Union's senior military figures. They told me that a no-fly zone and a dozen attack helicopters were urgently necessary. Both of those points were raised 12 months ago, but people are still dying who would not be dying if those things were put in place.

Finally, the Prime Minister refers to a more robust implementation of the non-proliferation treaty. Is the renewal of Trident not a breach of that treaty anyway?

The Prime Minister: No is the answer to the third question.

I praise the work of Her Majesty's coastguards—indeed, I visited many of them some weeks ago to thank them for the work they do both on rescue and on the security of the country.

As for Darfur, I agree with the hon. Gentleman: this is a human tragedy that is being acted out, involving a threat to the lives of young children as well as to those of adults. He rightly says that we should consider a no-fly zone. The problem with such a zone, as I have said before in this House, is that we are dealing with an area the size of France—a massive geographical area. Therefore, the aircraft requirement to be able to police a no-fly zone is way beyond what countries are prepared—or able at this time, because of other action in Afghanistan and elsewhere—to supply. That is the problem in respect of a no-fly zone at the moment. People must be realistic enough to recognise that it is difficult enough to get the supply of helicopters that he is talking about, so staffing and policing a no-fly zone is very difficult, even when aerial bombings, which are completely unacceptable, are taking place.

As I said last week in the House, the way forward in Darfur is to get the peace negotiations started again, to get both sides—not only the Government, but the rebel groups that never came to the original proposals for the peace talks only a few weeks ago—to the talks and to get the African Union and United Nations force in to back up whatever settlement can be agreed. Those are the priorities, and I hope that we can move forward on them with speed.

Gordon Banks (Ochil and South Perthshire) (Lab): The Prime Minister mentioned the new civilian capability. Can he tell me whether he intends UK industry to participate in that organisation so that it, too, can play its part?

The Prime Minister: We have an industrial strategy for the defence industries that was published a few months ago. It will be regularly updated, it is the source of a great deal of consultation with the defence manufacturers and it is a very important part of building confidence in this country's defence manufacturing industries. We will continue this collaboration, which has been of great use to us in the past and has been intensified in recent years.

Mr. Julian Brazier (Canterbury) (Con): Although I welcome the Prime Minister's earlier answer on the Territorial Army and reserves, may I urge him to look across the Atlantic at the model of the National Guard, which, besides making a remarkable contribution in dealing with both Hurricane Katrina and the aftermath of 9/11, also provides highly effective combat brigades and fast jet fighter squadrons for use in Iraq? May I suggest that the basic lesson that we can learn from America is that an organisation is most successful—the National Guard is the only part of the American armed forces that is fully recruited—when it is led at all levels by volunteer reserves, when it has a real footprint in every part of the country and, above all, when it is used as a force in its own right, be that for combat, peacekeeping, disaster relief and so on, and not merely as a provision of spare parts for the regular counterparts?

The Prime Minister: The hon. Gentleman is a great champion of the Territorial Army and I understand his deep interest in these matters. I believe that the proposals that he puts forward and his desire that we look at what is successful in other countries, including the United States of America, are things that we can draw on during this review. I hope that he will contribute his thoughts to the Defence Secretary as he moves forward with the review.

Joan Walley (Stoke-on-Trent, North) (Lab): I particularly welcome the support that the Prime Minister will be giving to our armed forces and the £20 million homes investment plan, although more may be needed in respect of social housing. On climate change, it is essential that we develop a strategy for sustainable global security. Will he have talks with the Oxford Research Group in delivering the new role that climate change will play at the heart of our global strategy?

The Prime Minister: My hon. Friend is right about the importance of taking action on climate change. That is why not only are we making proposals for international action to secure a post-2012 agreement, but we are proposing that the World Bank should take on a new role as a world bank for the environment, as well as for development, so that it can provide money for energy-efficiency schemes and for alternative sources of energy to be invested in by some of the poorer countries in the world. International co-operation is vital to deal with the problems of climate change. She probably knows that we are sponsoring a major afforestation project in the Congo basin. It is one of many projects that we are prepared to support with the environmental transformation fund.

My hon. Friend also raises the issue of armed forces' accommodation. In total, £5 billion has been allocated for improvements in accommodation over many years, but is important that we make a start as quickly as possible with some of the schemes that can give the greatest results. That is why the £20 million set aside for these armed forces equity sharing and home ownership pilots is important to send a message to members of the armed forces that as they prepare to move to new careers later, we will help them to buy their first home.

Malcolm Bruce (Gordon) (LD): Could the Prime Minister give some indication of the implications of this statement for the Department for International Development, which plays a key role in fragile and failing states and in conflict prevention, resolution and stabilisation? Does he agree that it may be an appropriate time to review the fairly severe staffing constraints on that Department, if it is to be able to provide civilian support and co-ordination, as well as poverty reduction?

Can the Prime Minister also give me an indication of the proposal for Helmand for an integrated civilian-military headquarters headed by a civilian? How will that relate to the provincial reconstruction team that is already established? Is it a replacement for that or something that will have to co-ordinate with it? Is he able to give a clearer steer on how that will operate?

The Prime Minister: They will work together. The right hon. Gentleman may know that we are determined to move as quickly as possible to appoint a development co-ordinator in Afghanistan, as that is urgently needed. As he will know, Lord Ashdown would have been a great appointment to that job, but that was not possible. Now we have a proposal for a regional appointment and I hope that that will make quick progress.

On aid, I have to disagree with the right hon. Gentleman. The budget of DFID, and Britain's aid budget generally, has quadrupled from £2.1 billion to nearly £9 billion by 2011, so there is additional money available for the priorities of the Department. He is right to say that in places such as Iraq and Afghanistan—as well as in Africa and in Israel, and in dealing with the Palestinian authorities—we will need DFID. If we are to combine humanitarian aid, peacekeeping, stabilisation and reconstruction, it has a key role to play.

Nigel Griffiths (Edinburgh, South) (Lab): I, too, welcome my right hon. Friend's commitment to climate change. Will he support my proposals for a world environment court and review the work of the working group chaired by Stephen Hockman QC to ensure that the Kyoto targets and the post-Kyoto targets are enforceable?

The Prime Minister: I am grateful for the interest that my hon. Friend has taken in this matter and the effort he makes in his constituency to persuade young people, especially schoolchildren, to take an interest in the environment. His proposal for the world environment court is an interesting one. We have to get to the first stage first, and that is persuading all countries to accept binding targets. That will be our priority in the post-2012 negotiations, and we will ally to that our proposal that funding be made available to developing countries to persuade them that it is in their interests to sign up to those agreements. How we make those agreements binding is a matter for the discussions, and obviously his proposal is one that will be taken into account.

Anne Main (St. Albans) (Con): I note with interest the Prime Minister's comments about recruitment and retention, and about supporting servicemen's families. Part of that package is facing up to things that go wrong, and the coroner's inquest is where many of those things are brought to light, as happened in the case of Captain James Philippson, who was sadly let down by a lack of equipment. Will the Prime Minister request the Secretary of State for Defence to row back in trying to gag our coroners and dilute their comments? Will the Prime Minister also ask that the Minister for the Armed Forces retract the comments that appeared to cast a slur on Captain James Philippson's comrade-in-arms, Major Bristow?

The Prime Minister: I hope the hon. Lady will acknowledge that we have made more money available to make it possible for coroners' inquests to move more quickly. We understand the grief that is experienced by relatives, the desire for closure and the problems that arise if inquests are delayed or are slow in happening. However, I do not agree with her interpretation of the letter from the Secretary of State for Defence. It is important that the coroner's inquest does the work it is intended to do by statute.

Ms Dari Taylor (Stockton, South) (Lab): My right hon. Friend will know that today the security agencies are watching more than 2,000 people whom they believe have serious terrorist intent. Those people will

have multiple identities and their behaviour is little known to us. It is therefore important for the House to hear the argument for pre-charge detention clearly and carefully put so that we can be confident in supporting it, because it is definitely needed.

The Prime Minister: I am grateful to my hon. Friend, because the balance between the needs of liberty and security is an important issue. It is also important to recognise that our constitution is founded on the liberty of the individual, but all parties now seem to have accepted that there may be occasions when it is necessary to go beyond 28 days for the pre-charge interviews, if that is necessary for a proper charge to be laid. That is what the debate is about. All parties agree that there may be circumstances in which that might have to happen. The question is whether we can agree on the mechanics of it, and that is what the debate will be about.

Mr. Nigel Dodds (Belfast, North) (DUP): I join others in paying tribute to the fantastic job done by our servicemen and women, and the police services, in keeping our country safe both at home and abroad. I welcome many elements of this comprehensive statement today, in particular the help given to service personnel and their families, although I am sure that the Prime Minister will agree that more could and should be done on that front.

On the specific issue of the national security forum, the Prime Minister referred to the threat posed to this country's security by the IRA over many years. Indeed, the threat continues in relation to dissident groups in Northern Ireland. He talks of drawing on experience from outside government. Would he undertake to consider the experience and expertise available in Northern Ireland, which—tragically—have been built up over many years? I am sure that they would be made available to assist in protecting the country from the current more diverse but very challenging threat to its security.

The Prime Minister: I agree entirely with the hon. Gentleman. We have to draw on the expertise that is available from all parts of the United Kingdom. I assure him that what he says will be taken into account in formulating the membership of the national security forum, but also in learning the lessons from the actions that had to be taken against terrorism in Northern Ireland.

Several hon. Members *rose*—

Mr. Speaker: Order. We must move on.

Point of Order

1.26 pm

Chris Huhne (Eastleigh) (LD): On a point of order, Mr. Speaker. May I point out that the Prime Minister has misled this House, both about the position of my party but more importantly—

Mr. Speaker: Order. The hon. Gentleman cannot say that. He must withdraw that remark.

Chris Huhne: On your advice, Mr. Speaker, I withdraw that point, but it is clear—

Mr. Speaker: The hon. Gentleman must withdraw the remark without qualification. My ruling is that that is not a point of order. Are there any other points of order?

Chris Huhne *rose*—

Mr. Speaker: It had better not be on the same issue, because the hon. Gentleman has just made a mess of it. Points of order are not about extending the statement that we have just heard.

Chris Huhne: Please hear what I have to say.

Mr. Speaker: I will hear what he has to say, but I warn him that I will stop him if it is not a point of order.

Chris Huhne: This morning on the "Today" programme, a Minister made exactly the same point as the Prime Minister just made and was subsequently corrected by Liberty about its position. Liberty does not have the ability to correct the matter in the House—

Mr. Speaker: Order. If there is one thing that I am not responsible for, it is the organisation Liberty. It can speak for itself.

Local Authority Powers (Election Campaigns)

1.28 pm

Mr. Tobias Ellwood (Bournemouth, East) (Con): I beg to move,

That leave be given to bring in a Bill to impose restrictions on the types of decisions that local authorities can take during specified periods prior to local elections; and for connected purposes.

I hope not to take up the full 10 minutes, because I know that we are coming to an important debate on post office closures to which many of my hon. Friends wish to contribute. Many Ministers have also been working hard in their constituencies and no doubt they, too, will want to get their views on the record.

The objective of the Bill is to bring local councils in line with Parliament and to prevent any major decisions from being taken during the period of a local election campaign. For Parliament, there is Cabinet Office guidance for what is known as the pre-election period about the types of decisions that can be made. It states:

"During an election campaign, the Government retains its responsibility to govern and Ministers remain in charge of their Departments. Essential business must be carried on.

However, it is customary for Ministers to observe discretion in initiating any NEW action of a continuing or long term character.

Decisions on matters of policy on which a new Government might be expected to want an opportunity to take a different view from the present Government should be postponed until AFTER the Election."

So it is official that no major decisions can be made during the four weeks of an election campaign but, following the Prime Minister's recent performance, I am led to believe that he might not be aware that it is just those four weeks. He seems to be doing it all the time.

No such rule applies to local authorities. It could be argued that we do not need such a policy, because we know when the election date will be and if we are all fair about it councils can ensure that no ambiguous, controversial or large financial decisions are made during that election period. Guess which party in local government decided to exploit that loophole and to take advantage of the absence of policy? Yes, I am afraid that it was our dear friends the Liberal Democrats, who will do anything to get elected. They will cuddle you during the daytime only to cross you by nightfall. They scandalously seek and practise power without responsibility.

By way of illustration, let me take the House back to last year's local elections and the night of 3 May 2007. It was a great evening, as you may recall, Mr. Deputy Speaker, when the Conservatives gained 921 seats. The Liberal Democrats, I am afraid, lost 246 seats, but it was described by the then leader of the Lib Dems, the right hon. and learned Member for North-East Fife (Sir Menzies Campbell), as a mixed bag of results—not an accurate judgment, I think, of the day's events.

In Bournemouth, the big issue on the campaign trail was a proposal by the incumbents—the Lib Dems—to build a multi-million pound development on Bournemouth's sea front. Such was the unpopularity of the proposal that it contributed to the Lib Dems' losing control of the town hall. They lost 23 seats, returning only seven councillors out of 51.

On the election night itself, long after the working day was over, the Lib Dems tiptoed into the town hall, not to clear their desks or pick up their sandals, knowing that they would not be back in office, but to place the final signature on a controversial contract that committed the people of Bournemouth to a massive seafront development that they did not want. Why did they do this? Nobody knows. Even cross-examination by Jeremy Paxman on "Newsnight" could not get the chief local Lib Dem plotter, the aptly named Councillor Fudge, properly to explain that malicious, selfish and vindictive behaviour. Yes, there were inquiries. Even the Electoral Commission got involved, but it was eventually determined that nothing illegal had been done. Morally and ethically speaking, however, I believe that the Lib Dems are guilty as charged as they deliberately burdened a town with a development that it did not want and the new administration with the costs that it campaigned so hard to avoid.

My Bill would prevent such scandals from being repeated and other councils from being subjected to such tactics. How would it work? It would require all local authorities to introduce a policy preventing major financial or controversial decisions being made in the four weeks leading up to an election. It would be up to the individual councils to determine the size of the budget and the other parameters. All that would be required would be that the matter be debated locally and local decisions be made.

Local authorities need not wait for my Bill, which I hope will be passed, but can adopt an appropriate policy themselves. I encourage them to do so. However, the purpose of the Bill is to ensure that no council would be subjected to the costly, time-consuming and completely avoidable dramas endured by Bournemouth. I urge hon. Members to support the Bill.

Mr. Deputy Speaker (Sir Michael Lord): The Question is that the hon. Gentleman have leave to bring in his Bill—

Simon Hughes (North Southwark and Bermondsey) (LD): Mr. Deputy Speaker, I would like to oppose the Bill.

Mr. Deputy Speaker: The hon. Gentleman should rise a little more promptly.

1.33 pm

Simon Hughes: I rose immediately.

I just want to say a few words that show that the Bill is unnecessary. I have not followed the Bournemouth events in detail, but my understanding is that the hon. Member for Bournemouth, East (Mr. Ellwood) has not given the full picture of what happened before the local elections last year. My understanding of the position is that the political decision was taken entirely properly before the election period and that all that remained to

be carried out was the implementation of that which was in the hands of officers. No new political decision was taken later at all.

If that is the case, which is what I am led to believe, the normal rules were followed in Bournemouth as they have been in many local authorities up and down the country. In Southwark back in the '80s, the outgoing Labour administration, thinking that it might be defeated at the polls, entered into a controversial planning application and a land property deal just before the election. The political decision was taken earlier, but the documents were signed on the day before the elections. I understand that that is legitimate if it is a matter of administration rather than political decision. If that is the case, the Bill is not necessary. We have plenty of legislation and plenty of controls on local councils, with an absolute guarantee that purdah applies in local government up to local elections in England.

I hope that the hon. Gentleman, who normally argues from his party's position, which is that we do not need more legislation, will reflect on the fact that more legislation restricting local government is the last thing that any party in local government wants and any council in administration wants. That includes his party, which now runs Bournemouth council.

Question put, pursuant to Standing Order No. 23 (Motions for leave to bring Bills and nomination of Select Committees at commencement of public business), and agreed to.

Bill ordered to be brought in by Mr. Tobias Ellwood, Sir John Butterfill, Mr. Desmond Swayne, Mr. Eric Pickles, Mr. Richard Benyon, Andrew Rosindell, Mr. Hugo Swire, Mr. David Evennett, Mr. Edward Vaizey, Greg Clark and Anne Main.

Local Authority Powers (Election Campaigns)

Mr. Tobias Ellwood accordingly presented a Bill to impose restrictions on the types of decisions that local authorities can take during specified periods prior to local elections; and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 17 October, and to be printed [Bill 90].

Opposition Day

[7th Allotted Day]

Post Office Closures

Mr. Deputy Speaker (Sir Michael Lord): We now come to the main business, the Opposition day debate on post office closures. I have to tell the House that Mr. Speaker has selected the amendment standing in the name of the Prime Minister and has placed a 12-minute limit on Back-Bench speeches.

1.37 pm

Alan Duncan (Rutland and Melton) (Con): I beg to move,

That this House regrets the proposal to close up to 2,500 post offices; recognises the vital role post offices play in local communities; notes the concern and unpopularity amongst the general public of closing such a large portion of the network; has concerns that the access criteria laid down for the closures consultation do not adequately take into account local geographical factors and public transport networks; is concerned that the consultation period is only for six weeks rather than three months, as recommended by Cabinet Office guidelines; believes that post offices must move with the times in the services they offer and that options for business expansion and developing business opportunities with local authorities should be explored further; and calls upon the Secretary of State for Business, Enterprise and Regulatory Reform to instruct Post Office Limited to suspend the compulsory closure of sub-post offices while these issues are re-assessed.

This matter affects both sides of the House in equal measure. I was concerned a moment ago that only two Labour Back Benchers were sitting in the Chamber but I see that the numbers are now swelling. I shall try to keep my remarks to a minimum, because I know that Members from all parties want to speak.

We are entering a critical phase of the Government's closure programme. Half of the country's constituencies have now gone through the process of consultation and as a result approximately 1,120 post offices are already destined to close. The network change is well on its way, yet the chorus of dissent that surrounded the then Secretary of State, now the Chancellor, when in 2006 he published his proposals for the most radical programme of cuts in the Post Office's history has not faded away, as his successor will have hoped. In fact, the more people encounter the process at first hand, the more they realise that it is not just unfair, but in many respects illogical; not just badly thought-through, but in some cases even avoidable.

Tony Baldry (Banbury) (Con): Will my hon. Friend give way?

Mr. Michael Ancram (Devizes) (Con): Will my hon. Friend give way?

Alan Duncan: I have hardly got off first base, but I will. If I may, I will set the scene and then give way to a series of interventions from Members from both sides of the House so that I do not end up taking 40 minutes. The quicker I get through this, the better it will be for allowing everybody to have the chance to say what they want to.

[Alan Duncan]

I agree with what the Secretary of State has said on numerous occasions: we have to face the facts about the future of postal services in this country. The debate has not been convened whimsically. We understand that the Post Office is haemorrhaging around £4 million a week; that the development of online mail has eviscerated part of the Post Office's traditional customer base; and that in this difficult business climate, uncertain times lie ahead.

Although the closure of post offices is one of the most emotional political issues, we in the Opposition do not lead with our heads. Let me make it clear that we fully expect the network to shrink in size. We have never given a guarantee that no post offices will close, because such a guarantee is not ours to give.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): Will the hon. Gentleman give way?

Alan Duncan: I will give way to the hon. Gentleman, and then to my right hon. and learned Friend the Member for Devizes (Mr. Ancram).

Sir Robert Smith: I thank the hon. Gentleman for giving way. I thought that he might have been giving the Government too much of a defence in respect of the problems facing the Post Office. The effect of online ordering has been to increase the amount of delivery work undertaken by post offices. People order goods online, but delivering those goods is a new business opportunity for Royal Mail, with post offices as collection points.

Alan Duncan: The hon. Gentleman is potentially right, but we must distinguish between the post office network and Royal Mail, as it is the latter that makes those deliveries. That is an important distinction, and it must be admitted that the internet has displaced much of the revenue-earning activity previously enjoyed by post offices.

I give way to my right hon. and learned Friend the Member for Devizes.

Mr. Ancram: I am very grateful to my hon. Friend. He was talking about the process by which the decision about closures was made. One post office to be closed in my constituency is in an area where a significant new housing programme is about to begin. The alternative post office is already notorious for being overcrowded and incapable of being expanded. Does that not suggest that the consultation process was a farce, and that what we are seeing is a lottery in order to meet a Government target?

Alan Duncan: My right hon. and learned Friend illustrates exactly the sort of example that is driving Members of this House to distraction. There appears to be a lack of commercial logic to many of the decisions being forced on the post office network.

Tony Baldry: My hon. Friend said that the consultation process was unfair, but is it not also fraudulent? In my area, we have been told that all that will happen if we succeed in persuading the Post Office to keep open one of the post offices that are threatened with closure in the Cherwell district is that it will simply go ahead and close another office in the district. It is clear that the Government are determined, come what may, to close all the post offices in Cherwell, however good the arguments against doing so may be. The consultation process is therefore wholly fraudulent.

Alan Duncan: My hon. Friend makes a crucial point. It is something that I want to expand on, ever so briefly, in a few minutes. If I may put it this way, we are involved in a game of pass the parcel. All hon. Members have in their constituencies post offices that are due to be shut, but if they succeed in keeping one office open, another one elsewhere will be closed. Therefore, what might appear to be a local success for one hon. Member becomes a local difficulty for another. That is one of the main problems that we face.

Hugh Bayley (City of York) (Lab): The hon. Gentleman will be aware that the Business, Enterprise and Regulatory Reform Committee has reported on post office closures. I put in a very detailed draft of evidence, including nine recommendations for changing the closure programme. However, 50 other hon. Members from both sides of the House also put forward evidence, and they included Front Benchers from the Conservative party. If the hon. Gentleman feels so strongly about this matter, why did he not offer any evidence to the Select Committee?

Alan Duncan: Because I think that it is improper for a Front Bencher to try to pre-empt and influence a Select Committee in that way. The proper way for me to speak about these matters is at the Dispatch Box in the House of Commons. That is what I am doing now, on a day when the hon. Gentleman has the opportunity to vote with the Opposition.

Robert Key (Salisbury) (Con): My hon. Friend is wholly right about displaced closures, but the problem is worse than he suggests. In my constituency, the county council is negotiating about taking over the post office at Laverstock on the edge of Salisbury, but despite that, the Post Office is insisting on closing it on 1 April and on removing the post office equipment—even though it might be taken on by the county.

Alan Duncan: Again, my hon. Friend makes a good point. It fits exactly with the picture that we are painting—a picture that cannot fail to be persuasive for hon. Members on all sides of the House.

Mr. Michael Clapham (Barnsley, West and Penistone) (Lab): The hon. Gentleman will be aware that the Business, Enterprise and Regulatory Reform Committee—what used to be the Trade and Industry Committee—has looked into the matter quite deeply. The Committee is chaired by his colleague the hon. Member for Mid-Worcestershire (Peter Luff). It looked at the cost of haphazard closures, and reluctantly accepted that the Government's plan was the only way forward. The hon. Member for Rutland and Melton (Alan Duncan) knows full well what the Committee recommended, and it looks a little sneaky to have this debate today, at a time when the Select Committee is away and the Chairman has no opportunity to reply. Is he afraid that some Conservative Back Benchers might have been persuaded by the Committee Chairman?

Alan Duncan: Much more sneaky is the fact that the hon. Gentleman is trying to hide behind the supposed conclusions of the Select Committee—which I think are not as he described—when he has signed the early-day motion in the name of my hon. Friend the Member for Ribble Valley (Mr. Evans). The wording of that early-day motion is exactly the same as the motion under consideration today, so he can have no option but to vote with us—along with the 35 other Labour Members who have echoed, word for word, what we are calling for in this debate.

Ann Clwyd (Cynon Valley) (Lab): I was not one of those who signed the early-day motion that the hon. Gentleman has mentioned, but is there not an element of hypocrisy in his approach? The previous Tory Government closed 3,542 post office branches. Why did they do that?

Mr. Deputy Speaker: Order. Before the hon. Gentleman responds, I advise the House that the word "sneaky" is just about allowable, as is the right hon. Lady's use of the word "hypocrisy". However, we must be extremely careful about the words that we use. I know that hon. Members care very strongly about these matters, but we should nevertheless choose our words with care.

Alan Duncan: Thank you, Mr. Deputy Speaker. I think that the right hon. Lady should be aware of her own words. She said:

"I do not understand what the, so called, public consultation was for... I want Post Office Ltd to explain how this can amount to a meaningful public consultation, when they have ignored the views of 2,203 people."

We are seeing a picture of inconsistency, but my purpose today is not to keep on pointing out the inconsistency between what Labour Members say at a local level and how they might vote tonight; rather, I want to urge them to vote with us so that they can prove that they are honest and consistent.

Mr. Oliver Letwin (West Dorset) (Con): Is my hon. Friend aware that one concern for people in constituencies such as mine in West Dorset is that the Post Office has absolutely refused to enter into discussions about how we might provide the voluntary effort that would cut its costs and keep the services open? Is that not an extraordinary state of affairs?

Alan Duncan: My right hon. Friend is right, but only half right. The Post Office has declined to embrace both voluntary efforts and legitimate commercial efforts. Even worse, it is discriminating against the commercial options that post offices and shops should be allowed to enjoy.

Mr. Mike Weir (Angus) (SNP): Will the hon. Gentleman give way?

Alan Duncan: I will, and then I shall do a rat-a-tat-tat after that.

Hon. Members: On the Table!

Mr. Weir: I thank the hon. Gentleman for giving way. As a member of the BERR Committee, I should point out that we said that we reluctantly accepted that there would have to be some closures, but not necessarily those planned by the Government. In both our original report and the recent follow-up to it, we have questioned where the figure of 2,600 closures came from, and asked why that round figure was chosen.

Alan Duncan: I would love to see the envelope on the back of which that arbitrary number was written.

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): Does my hon. Friend agree that the Government and the Post Office have carried out the consultation process in an extremely underhand way? The process has been different in different areas of the country, and there have been attempts to gag the sub-postmasters and sub-postmistresses involved. The Government and the Post Office have tried to prevent any shops that might subsequently be set up when a post office is closed from selling the same products for a year afterwards. That will make it very difficult for a village shop without a post office to carry on trading. Are not all such tactics underhand?

Alan Duncan: There is a grave suspicion that a lot of the tactics involved are underhand.

Several hon. Members *rose*—

Alan Duncan: I shall take one more intervention from each side, then make some progress. I give way first to my hon. Friend the Member for North-West Norfolk (Mr. Bellingham).

Mr. Henry Bellingham (North-West Norfolk) (Con): I am very grateful to my hon. Friend the shadow Secretary of State, as he is being very patient and indulgent. There is serious anger many sub-postmasters in North-West Norfolk, who say that it is an outrage and a disgrace to be told that they will not get any redundancy pay if they carry on offering services for the lottery, the payment of utility bills, private courier services and so on. Does he agree that that is a disgraceful restraint of trade?

Alan Duncan: In my view it is, and I shall explain why in a moment. Finally, at least for the moment, I give way to the hon. Member for Reading, West (Martin Salter).

Martin Salter (Reading, West) (Lab): I thank the hon. Gentleman, who will be pleased to know that I plan to make some fairly harsh criticisms of the fundamental flaws in the consultation process.

I was attracted to the wording of the motion, but the hon. Gentleman has acknowledged that the post office network is losing a substantial amount of money. If I am to be tempted to vote for the motion, will he give an undertaking on behalf of his party to put £1.7 billion of investment into the network so that it can be sustained in a good old socialist fashion up to 2011?

Alan Duncan: I will not do that, and furthermore I do not need to do that to win the argument today, because the whole purpose of what we say is that we should give an opportunity for the money that is being spent to go a lot further, and give a lot of branches the opportunity to continue to exist; at the moment they are being bulldozed into submission.

Several hon. Members *rose—*

Alan Duncan: I will have a pause from taking interventions; I shall take more in two or three minutes.

Sarah Teather (Brent, East) (LD): Will the hon. Gentleman give way?

Alan Duncan: Well, I think that I am obliged to give way to the Front Bencher of another party.

Mr. Roger Gale (North Thanet) (Con): On a point of order, Mr. Deputy Speaker. A few moments ago, an hon. Member suggested that the Select Committee on Business, Enterprise and Regulatory Reform indicated that it supported the Government's closure of 2,500 post offices. I have before me a press notice issued by the Select Committee. It says clearly:

"This is not a report about the principle of closing 2,500 sub post offices as that is settled government policy and one on which we have commented previously. It is a report about how the process is being managed and the implications for communities."

That is not the same as the Committee saying that it supports the closures.

Mr. Deputy Speaker: Order. That is not, strictly speaking, a point of order for the Chair. It is more a matter that would normally be raised in the course of debate.

Alan Duncan: The time was when an hon. Member who had been put right with the kind of accuracy that my hon. Friend the Member for North Thanet (Mr. Gale) used would have stood up and apologised for the mistake.

Mr. Clapham: I will read out the recommendation in the report. It says quite clearly:

"We do not think it is satisfactory simply to accept that the network may continue to shrink in an unplanned way between now and 2011; Post Office Ltd should be obliged to use its best endeavours to keep the network at a minimum of 11,500 fixed outlets."

That is the report.

Alan Duncan: The hon. Gentleman had already stuck his finger in the fire; he would have been well advised not to do it again.

Several hon. Members *rose—*

Alan Duncan: I really should give way, one final time, to the hon. Member for Brent, East (Sarah Teather), the official spokesman for her party.

Sarah Teather: The hon. Gentleman likes to portray himself as the saviour of the post office network, but he does not have a plan for investing in upgrading the network. He was just asked a clear question about his plans for investment. He has a series of proposals, supposedly aimed at increasing revenue, but nothing on increasing the investment in modernising the post office network. How can he justify claiming that he can save all those post offices?

Alan Duncan: The investment in the post office network is, to a large extent, already made by private individuals who take a risk and invest in their own company—the family business—so the hon. Lady's question is misdirected. Much more pertinent is the question of what those businesses can be allowed to do to enable them to expand and have a prospect of survival, rather than annihilation. We would like them to be able to take on more tasks, so that they can expand the business that they can undertake. Sub-postmasters are entrepreneurs. They want to develop new services and they want to survive on business, rather than on subsidy.

Chris Ruane (Vale of Clwyd) (Lab): Will the hon. Gentleman give way?

Alan Duncan: No.

Sub-postmasters should be able to develop more financial services; they should be able to take on local council work; they should be able to take on Government services; and they should be able to do a lot of things that the Post Office currently forbids them to do. Let me briefly say why we think that the current activity forced on the Post Office by the Government is flawed.

Hugh Bayley: Will the hon. Gentleman give way?

Alan Duncan: No. I will move on, as I said I would.

First, there are the flawed access criteria. They are simple, linear, as-the-crow-flies measures. There is no appreciation in them of hills, crossroads and main roads that have to be crossed. There is no proper appreciation of the nature of a community built around the use of a post office. Furthermore, a lot of the census figures and population figures that the Post Office is using are completely out of date and unrelated to the effective market catchment area of the post offices that are threatened with closure.

Many in this House think that the consultation is a sham. They know that the 2,500 figure has been picked out of the air. The Post Office is ramming through the closures, and if a Member of Parliament succeeds in keeping one post office open, another one will shut. Absurdly, someone who phoned up the Post Office and asked, "Excuse me, why is my village post office closing?" was told, "Because the postmaster wants to retire." "That is not true," said the caller; "I know it; I am the postmaster." What is more, community is being pitted against community, because when a post office in one village is saved, another is shut elsewhere.

As for the post offices that are told to close, there appears to be no rationale for distinguishing between the ones that the Secretary of State always cites as having only 20 transactions a week, and those that are far more active and very popular, and which are run alongside a profitable shop and are basically viable businesses that are being forced to close for no rational economic reason whatever.

We are calling for a freeze on the consultation. If the Government doubt whether that is possible, let us point out that, to a limited extent, they have done it already; they suddenly realised that their plans cut across the campaigning period for a local election and, indeed, a mayoral election, in which their own candidate even threatened judicial review because he is so against the policy of the Government whom he is once again pretending to support. The idea that there cannot be a freeze is absurd. There has been a semi-freeze already, and we think that there should be a suspension so that all the new ingredients that have become clear over the past few months can be factored into a revised programme

that could perhaps, on the same money, allow many of those post offices that are currently being forced to shut to stay open.

Michael Jabez Foster (Hastings and Rye) (Lab): The hon. Gentleman talks about maintaining viable post offices, but in fact only 4,000 post offices in this country are profitable—a word that he previously used. How many of the other 10,000 would he subsidise, and how many of them would be expendable under his plan?

Alan Duncan: I can but quote the hon. Gentleman's own website. To use his exact words, he

"condemned the decision, which he said was inexplicable given the high levels of activity at each of the offices in question."

Mr. Jeremy Hunt (South-West Surrey) (Con): I congratulate my hon. Friend on the way in which he is making his case. Is he concerned that the 2,500 post offices are just the tip of the iceberg, as a number of other post offices have been closed on a temporary basis, including the one in Heath End in my constituency? Is that not just another political trick? The Government are trying to keep the number of those post offices out of the 2,500, but those post offices are also condemned.

Alan Duncan: My hon. Friend is absolutely right. Today we are hearing, basically from Members on both sides of the Chamber, sorry tales of how the closure programme is being implemented in their constituencies.

Mr. Andy Reed (Loughborough) (Lab/Co-op) *rose—*

Alan Duncan: I give way to the hon. Gentleman, a fellow Leicestershire MP.

Mr. Reed: I would like the hon. Gentleman to return to the point that he started to make, but failed to finish, in reply to the question by my hon. Friend the Member for Hastings and Rye (Michael Jabez Foster). He started to explain that he thought that a particular number of post offices would make for a viable network, but he rapidly moved on. Will he today commit himself to a figure, and will he say what additional expenditure and commitment the Government should make to ensure that the number is reached? Before he quotes back at us some of the proper representations that we have made in our constituencies, let me ask him to answer the question.

Alan Duncan: I have never called for a specific number. I am calling for some logic in the judgment on which post offices are viable and should remain open, and which are not.

Several hon. Members *rose—*

Alan Duncan: I shall make a few more points; I promised I would not take up too much time, but this has been a shared performance. However, the clock is ticking away. Let me come on to something that I think is enormously important, both for urban and rural communities, namely the link between the post office and the shop. In many post offices, and most of those threatened with closure, there is an alliance with a shop that is part of the same business, and is on the same premises. A shop is an essential part of any community. It is its focal point, its hub. We are not just talking about the end of the opportunity to go and buy some stamps and post a letter; more often than not, the closure of the shop is in harness, in tandem, or in parallel with the closure of the post office.

Mr. Ian Liddell-Grainger (Bridgwater) (Con) *rose—*

Alan Duncan: I will give way to my hon. Friend, and then I want to say why what is happening at the moment is especially pernicious.

Mr. Liddell-Grainger: Perhaps I can give my hon. Friend some more ammunition. In Bicknoller in my constituency, we have a voluntary shop and post office. Every single volunteer goes there because they want to, and the postmaster gives everything that he earns back to the post office, yet it is still being shut. When I asked the Post Office why, it said, "It needs to be shut; you haven't got enough people," even though everything goes back into that shop to keep it going. Does not my hon. Friend find that ridiculous?

Alan Duncan: The post office network and shops are private enterprises. Families have risked money and borrowed—often against their only residence—to start and run a business. Many who have started to do that only recently, having taken a risk in good faith so that their shop can go hand in hand with the post office, are finding that the rug has been pulled from beneath them, that the shop and the post office will go, and that they may not be able to meet their debts.

Several hon. Members *rose—*

Alan Duncan: I shall give way to hon. Gentlemen in a moment. I want to make a couple of important points first.

I am extremely concerned, as are hon. Members in all parts of the House, about the way that the compensation is working. It is all very well to offer a postmaster compensation in the hope that he will not face financial adversity, should the post office shut, but that compensation attaches only to the post office. As I have already said, many of those enterprises run in parallel with a shop. What is deeply pernicious is the way in which the Post Office is setting terms and conditions on the compensation in a way which, as well as closing the post office, will also destroy the shop.

What the Post Office is doing, which I think amounts to a restraint of the trade of shopkeepers, is saying that if they take the money for closing down the post office counter, they will be prohibited thereafter from doing certain things in the shop. They will not be allowed to sell lottery tickets. They will not be allowed to conduct certain transactions which, in the eyes of the Post Office, might technically compete with it. They will not, for instance, be able to install a PayPoint terminal, which is a revenue-earning service for the shop, but competes with the Post Office. So in offering compensation, the Post Office is effectively putting a restrictive covenant on trade that could be enjoyed by the shop. *[Interruption.]* The hon. Member for Wolverhampton, South-West

[Alan Duncan]

(Rob Marris) says, "Standard business practice". If he thinks it is standard to be so irresponsible, let me tell him that I do not.

Rob Marris (Wolverhampton, South-West) (Lab): It is standard business practice. I know that as a lawyer working in employment law. There are restrictive covenants in all kinds of contracts with respect to the activities that an individual may and may not undertake. People sign up to that. It is a financial transaction. Furthermore, as the hon. Gentleman knows, it is a financial transaction with those restrictions which is supported by the National Federation of SubPostmasters.

Alan Duncan: If the hon. Gentleman really thinks that the future viability of the Post Office will be undermined and destroyed by village shops being able to get someone to pay a bill at their counter, the advice that he might have given to business in the past does not bear scrutiny.

Jeremy Wright (Rugby and Kenilworth) (Con): Does my hon. Friend agree that there may be something else that we are in danger of losing—the post office branch as a social safety net? There are those who are alone and possibly elderly, who come into the post office regularly for benefits or pensions. If they do not come in one week, perhaps the only person who will notice is the sub-postmaster or sub-postmistress. If the branch is no longer open, who does my hon. Friend think will fulfil that role?

Alan Duncan: My hon. Friend makes a good point. I have no doubt that it will be made in the debate in future.

Several hon. Members *rose—*

Alan Duncan: I shall make progress and then give Labour Members a final chance to chip in. I am conscious of the clock. The House can tell that I have been racing through my remarks as quickly as possible. I want to give hon. Members a chance to speak, but I shall point out aspects that matter particularly to Labour Members.

There was an early-day motion at the beginning of the year signed by 35 Members from the Labour Benches. It is pretty well word for word the motion before the House today. The only respect in which I have heard that it is thought to be different is the use of the word "instruct" in the context of instructing the Post Office to suspend its consultation. That is dancing on the head of a pin. It would be intellectually dishonest of any Member to think that that gives them a let-out clause.

The Government, through the shareholder executive, owns the Post Office. They instructed the compulsory closure programme to start in the first place, so they can equally instruct the Post Office to suspend it. As I said earlier, in part at least because of the local elections, they have already done just that. So the insinuation of the word "instruct" is no excuse for those hon. Members who have signed the early-day motion not to vote with us tonight.

Furthermore, we know that hon. Members, including Ministers and Cabinet Ministers, are campaigning in their own constituencies. I entirely accept that there are occasions when the Government—even the Government of their own colour—do something and hon. Members want to make a stand for their constituents, but what we are seeing are not just a few scattered examples of an hon. Member saying, "I must defend the interests of my constituents"; we are seeing a wholesale operation across the entire map, with almost every Member doing that. Thus, wholesale activity makes a mockery of what should be collective responsibility. Collective action has driven through collective responsibility.

Of even deeper concern is the fact that the Secretary of State revealed in an interview

"that he might campaign against Post Office closures in his own back yard."

He said:

"'I want to see what the detailed proposals are'"—

he happens to be in charge of them, but never mind—

"'but my job doesn't make it impossible . . . I'm the member of Parliament for my constituency. If I think people have got a legitimate concern I'm going to raise it with the Post Office'".

Fair enough, except for this: when everyone is doing it, it is not just representing our constituents; it is collectively denying the entire policy of the Government.

There is a more perturbing point. As we all know, if a Member succeeds in keeping one post office open, under the current plans another one will shut. We can but ask whether a Secretary of State who is in charge of the shareholder executive that owns the Post Office might perhaps have more clout in those negotiations than a mere Back Bencher. If the Secretary of State can keep one or two post offices open in his constituency, where does that leave his colleagues in a neighbouring constituency?

Richard Burden (Birmingham, Northfield) (Lab): A few moments ago, if I understood the hon. Gentleman correctly, he was arguing for more predictability in the framework in which shopkeepers operate, depending on whether or not they have a post office. Part of that predictability relates to the level of subsidy that they can expect from the Government. What level of subsidy for the sub-post office network is the hon. Gentleman suggesting?

Alan Duncan: The same as is proposed, but the purpose of our argument is that it can go further if people are not bulldozed into closure by a misguided compulsory plan.

Chris Ruane *rose—*

Mr. David S. Borrow (South Ribble) (Lab) *rose—*

Alan Duncan: I will not give way. I want to conclude so that hon. Members, such as those on their feet, will get the chance to speak. I note that there are probably three times as many on the Opposition Benches as on the Government Benches.

Chris Ruane: It is an Opposition debate.

Alan Duncan: Yes, but it affects every constituency. That is why it is pertinent for me to point out that 90 Members on the Government Benches have been campaigning in their constituency against post office closures. That is about a quarter of the parliamentary Labour party, and includes seven Cabinet Ministers. It will be interesting to see how they vote tonight.

Mr. Nicholas Soames (Mid-Sussex) (Con): My hon. Friend says "every constituency". Can he offer any logical explanation why four post offices should be closed in Mid-Sussex but none at all closed in Crawley, the most marginal Labour seat in the land?

Alan Duncan: I cannot give any polite logical explanation for the perceptive observations of my hon. Friend.

The Secretary of State knows that our arguments are valid. He is very uncomfortable about the closure programme that has been forced on the Post Office. He knows, because he will have heard it every day from right hon. and hon. Members on the Labour Benches, that there is deep unhappiness across the entire House about the way that is progressing. He has a reputation in the Government. As shadow Secretary of State for Business, Enterprise and Regulatory Reform, I think that occasionally he speaks a lot of sense. However, the problem that he faces when he speaks that sense is that it is not necessarily popular with his Prime Minister—the very man whom he once described as someone who would make a "bloomin' awful" Prime Minister—*[Interruption.]* I translate for the sake of decency.

Hugh Bayley *rose—*

Alan Duncan: Today, however, we learned something else, and the finger of suspicion points at the Secretary of State. We are told that somewhere in Downing street, someone—thought to be a member of the Cabinet—is a poet, a bard. Given the flavour of the language, it can be but one person. The four lines published on the website of *The Spectator* today are clearly the Secretary of State's:

"At Downing Street upon the stair,
I met a man who wasn't Blair.
He wasn't Blair again today,
Oh how I wish he'd go away."

Hugh Bayley *rose—*

Alan Duncan: Today is an opportunity for the Secretary of State to enjoy a massive political revival. He could make himself one of the most popular and rational men in the Government by instructing the Post Office to suspend the closure programme and give much hope to the many hard-working postmasters whose enterprise, hard work and service to their communities deserve better than they are getting from the Government.

Hugh Bayley: He's frit! Frit!

Mr. Deputy Speaker: Order. The hon. Gentleman knows better than that.

2.11 pm

The Secretary of State for Business, Enterprise and Regulatory Reform (Mr. John Hutton): I beg to move, To leave out from "House" to the end of the Question, and to add instead thereof:

"recognises the vital social and economic role of post offices, in particular in rural and deprived urban communities; notes the decline in post office customer numbers in recent years and the financial losses of £174 million incurred by the network in 2007; further recognises the effect of changes such as direct debit facilities and increased use of the internet for payment and communication; commends the Government's action to support the post office network with investment of up to £1.7 billion up until 2011, including an annual subsidy of £150 million; further notes that this subsidy did not exist under the last government and that without it thousands more post offices would be under threat; and urges the Government to continue working with Post Office Limited to ensure a viable and sustainable network for the future.".

Perhaps I can reassure the hon. Member for Rutland and Melton (Alan Duncan). The poetry that he has just quoted is not mine. I say that for one simple reason: I would write better poetry. Those are absolutely not my words. I do not mind my own quotations being attributed to me, but I fundamentally resent words that are not mine being attributed to me.

Right at the beginning, I should like to acknowledge the important economic and social contribution that post offices make in all our constituencies. They play an obviously important role in cities, towns and villages right across the country. It is perfectly right and proper that hon. Members on both sides of the House should today have the opportunity to express our appreciation for the work that thousands of sub-postmasters do day in, day out.

Mr. John Baron (Billericay) (Con): Will the Secretary of State give way?

Mr. Hutton: I shall in a minute. I shall give way to as many hon. Members as I can, but I ask for the House's indulgence for a few minutes so that I can begin to make my argument; I suspect that that is all I shall be able to do this afternoon.

Having acknowledged the importance of post offices, I should say that, like my hon. Friend the Member for Barnsley, West and Penistone (Mr. Clapham), I believe that we should acknowledge one other inescapable fact, however difficult it is. The role of post offices is changing, first as a result of technology and much greater use of the internet, and secondly because of different patterns of consumer behaviour. Both those factors have combined to reduce substantially the numbers of people using their local sub-post offices and to increase substantially the losses being incurred by the Post Office. We have a responsibility to address the reality of those changes.

Mr. Baron *rose—*

Mr. Borrow *rose—*

Mr. Weir *rose—*

Mr. Hutton: I shall give way to the hon. Member for Billericay (Mr. Baron), and then to my hon. Friend the Member for South Ribble (Mr. Borrow).

Mr. Baron: I hear what the Secretary of State is saying. However, he has to accept that we have a ludicrous situation in south Essex, particularly in my constituency. Post offices that are profitable and serving an expanding population are being closed. Essex county council has put £1.5 million on the table with a view to trying to allow a number of those post offices to continue in service for the benefit of the local community. Will the Secretary of State at least delay the decommissioning of those branches to give the council the time it requires to explore that possibility further?

Mr. Hutton: I am grateful to the hon. Gentleman for raising that issue about Essex; I want to say something specifically about the Essex proposal later. I hope that he will allow me to do that in my own time.

Several hon. Members *rose—*

Mr. Hutton: Let me finish my point. Many hon. Members on both sides of the House will be interested in exploring whether the proposal opens up a new opportunity. I hope that it does. Obviously, the discussions need to continue. I shall come later to the detail of the proposition, but it might be helpful if I make it clear now—I was going to do so later—that today I have written to the chief executive of the Post Office about these matters. I have placed a copy of the letter in the Library so that hon. Members can refer to it if they choose.

Mr. Borrow: In Lancashire, the consultation process finished two and a half weeks ago. When I received a letter from Opposition Front Benchers, I was tempted to consider voting with them today. However, I have read the Opposition motion. Does the Secretary of State agree that if we approve it, we will simply delay the whole process? In the absence of any new money, the same number of post offices will close in the end as are scheduled to close now.

Mr. Hutton: I am grateful for that point. In a few minutes, I want to come to the substance of the motion.

Mark Pritchard (The Wrekin) (Con) *rose—*

Mr. Edward Davey (Kingston and Surbiton) (LD) *rose—*

Mr. Hunt *rose—*

Mr. Hutton: I shall give way in a moment. I want to come to the substance of the Opposition motion. As my hon. Friend the Member for South Ribble has rightly identified, there is a significant problem with the proposition that we should simply postpone making decisions. The hon. Member for Rutland and Melton has made it clear—this is important for my hon. Friends, who I am sure heard what he said—that he is not prepared to match the subsidy that we propose to invest in the Post Office. Somehow, he believes that that will allow the subsidy to go further, but of course it will not—it will mean a significant diminution in the effectiveness of the subsidy that is going in.

Mark Pritchard *rose—*

Mr. Hunt *rose—*

Tim Farron (Westmorland and Lonsdale) (LD) *rose—*

Mr. Hutton: I give way to the hon. Member for Westmorland and Lonsdale (Tim Farron), who is my constituency neighbour.

Tim Farron: I am grateful to the right hon. Gentleman for giving way; he and I share an interest in some of the post offices scheduled for closure, including Greenodd post office. Does he agree that this should not simply be a case of pushing the issue off into the far future? There is a perfectly good framework that we could use to suspend the process and give local communities the chance to make decisions that affect their lives. I am thinking of the Sustainable Communities Act 2007, which comes into force as of this September/October. We have the ridiculous situation in which the Government would write to local authorities such as South Lakeland asking what they could do to make communities more sustainable. The response would be, "Well, we would have said that our post offices should be kept open—but you've shut them."

Mr. Hutton: We have not prevented local authorities from making arguments about how there could be a sustainable future for the local sub-post office network in my or the hon. Gentleman's constituency, for example. I do not accept that there is a legal conflict between the process now under way and the future legislation to which he has referred. We are not preventing local authorities from making any contribution to the debate about a sustainable future.

Hugh Bayley: Will the Secretary of State confirm that three quarters of post office branches are not profitable and that many more would close if there were not £150 million a year of public subsidy? Has he noticed that the Government's amendment explicitly supports that subsidy, whereas the Opposition motion does not? Will he issue a challenge to the Opposition, at least when they come to vote on the substantive motion, to support the Government amendment and the public subsidy to the Post Office?

Mr. Hutton: My hon. Friend must have had a sneak preview of my speech, because I am going to make that point soon. It is an important issue for my hon. Friends to consider during this debate. They are being invited to support a Conservative motion that might will the ends but does not provide the means. I have a lot of respect for the hon. Member for Rutland and Melton, but he has to be able to stand in this place and say that he is willing to make the investment in sustaining the network for which he now claims to be the champion. He has completely failed to do that.

Alan Duncan: As the Secretary of State well knows, I have. The spending plans have been publicly announced. They are there, and remain unchanged.

Mr. Hutton: The hon. Gentleman was specifically invited to comment on the issue at the beginning of the debate; we will have to check the record in *Hansard*. He will have to deal with what I am sure will be in *Hansard* tomorrow. He was specifically asked by my hon. Friend the Member for Reading, West (Martin Salter) to say whether he would commit to the £1.7 billion. We all heard him say clearly that he was not going to do that.

Glenda Jackson (Hampstead and Highgate) (Lab): I should like to reassure my right hon. Friend that I have no intention whatever of voting for the Conservative amendment, which comes from a party that when in government had absolutely no compunction about closing post offices, schools, hospitals, mines and heavy industry. However, there is real concern in my constituency about the proposal to close three highly efficient and consistently well-used post offices. I entirely accept that the usage of post offices has changed, but the people who use them most consistently and will be most severely affected if they are closed include the elderly, the disabled and single parents with small children. Is it not possible for the Post Office to put forward a proper cost-benefit analysis of what it is proposing as regards closures so that the consultation is genuine?

Mr. Hutton: I have a great deal of respect for my hon. Friend, who, like all other Members of this House, is perfectly entitled to put her argument to the Post Office, which has the responsibility for making these decisions in individual areas. Ministers are not making decisions about which particular sub-post office should or should not stay open. I am grateful to her for acknowledging that there has to be change in the network. My advice to her—I am sure that she does not need it from me—is that if strong arguments can be put, they should be. The Post Office has a responsibility—

Mark Pritchard: Will the Secretary of State give way?

Mr. Hutton: When I have dealt with my hon. Friend's point. When she has made those arguments, as I am sure she will, the Post Office, working together with Postwatch, will have to address them seriously. We acknowledge the substance of her point; that is why we are making £150 million-worth of subsidy available to support a much more extensive network than would have been supported if we were simply considering these issues on the basis of profit or loss—which post offices were making a profit and which were not. That is not part of the access criteria. We are trying to explain how the new network will work, how it can be sustainable and how it can address the concerns that my hon. Friend and others have raised.

Mark Pritchard: I am grateful to the Secretary of State for giving way; he is being very generous. Given that seven Cabinet Ministers are campaigning with faint protest against the closure of post offices in their own constituencies, will he give an undertaking to the House that there will be no special access arrangements for Government Ministers visiting either him, other Ministers or officials in his Department, and that there will be equal access for all Members of this House campaigning against post office closures?

Mr. Hutton: I am happy to give the hon. Gentleman and the House that assurance. The ministerial code makes it very clear, and rightly so—this has never been contested across the House—that Members of Parliament, even when they are Ministers, are perfectly entitled, as Members of Parliament, to make representations, in this case not to Ministers but to the Post Office, which is making decisions on closures. It would be an outrage if they were not able to do that. Of course, if any right hon. or hon. Member wants to come and discuss this issue with me, I am always available to have such discussions. There will be no special access—that would be quite wrong—and I can assure the hon. Gentleman that no one has sought such special access.

Mr. Andy Reed: Rightly, many Members have made specific representations on behalf of individual post offices, and progress has been made in some cases. Does my right hon. Friend think it significant that although the Opposition motion makes no commitment on additional moneys, the hon. Member for Rutland and Melton (Alan Duncan) seems to have hinted at the same number of closures taking place? Will my right hon. Friend expand on the implications of that dichotomy and the contradiction whereby the Conservatives want the same level of closures without committing to provide the same amount of money? That sends out false hope to many of our constituents who will have been misled by the Conservative motion.

Mr. Hutton: I would very much like the opportunity to do that, and if I can make some progress I will do so.

Mr. David Evennett (Bexleyheath and Crayford) (Con) *rose*—

Mr. Hutton: I will give way to the hon. Gentleman and then make some progress.

Mr. Evennett: I am listening carefully to what the Secretary of State is saying. My constituents in suburbia believe that decisions have already been taken and that the consultation procedure is just a PR sham. What is his view on that?

Mr. Hutton: The decision has been taken that the post office network needs to be reduced. The consultation is about the details of that in every local area and how it can be most sensibly dealt with. That is a decision of the Government, and that is why the Post Office is now conducting the consultation.

Mr. Gerald Howarth (Aldershot) (Con): As my hon. Friend the Member for Bexleyheath and Crayford (Mr. Evennett) says, there is a widespread view that this whole consultation process is a complete farce and a sham. What advice should I give to the postmaster at the Minley estate in Farnborough in my constituency? The Post Office says that the footfall in his branch is 591, yet he has conducted a survey that shows a 50 per cent. increase, without encouraging people to come in to make up the numbers. Is the Secretary of State saying that this consultation is going to make no difference whatsoever or that the Government are going to listen and look again at the figures, because this will apply to constituencies across the country, not only in rural areas, but in urban areas?

Mr. Hutton: I would regard it as the duty of the Post Office to look seriously at arguments such as the hon. Gentleman's. If there is evidence that the figures are wrong or inaccurate, there is an opportunity in the consultation process—this is why it is happening—to make those arguments and for those representations to be taken into account. Postwatch is there to ensure, as a neutral umpire, that the process is being undertaken

[Mr. Hutton]

fairly. *[Interruption.]* Hon. Gentlemen who are scoffing at Postwatch need to be very clear about what lies behind that scoffing. Postwatch is a neutral, independent observer. If the hon. Member for Rayleigh (Mr. Francois), whom I heard scoffing—I do not think he would deny that it was him—would like to give the House evidence to suggest that Postwatch is in any way acting unfairly or improperly, I would like to see it now.

Mr. Mark Francois (Rayleigh) (Con): Is it true that Postwatch is being abolished?

Mr. Hutton: Postwatch is going to form part of a new, invigorated national consumer council. *[Laughter.]* Let me remind the hon. Member for Rayleigh, in case he has forgotten, that his Front Benchers have supported that policy. I do not understand the mirth that he is concocting; it is nothing other than a concoction. This debate does not need ridiculous rhetoric and phoney arguments of the type that he is putting forward. We should have a debate about the reality, not the bogus truth and distortions that he and others are bringing to this debate.

Several hon. Members *rose—*

Mr. Hutton: I will give way to the hon. Member for New Forest, East (Dr. Lewis) and then make progress.

Dr. Julian Lewis (New Forest, East) (Con): Will the Secretary of State accept that there is genuine concern about the validity of the consultation process? The *Southern Daily Echo* is a politically impartial newspaper but nevertheless felt it necessary to publish a leader entitled "Post Office plan was a farce from the beginning", pointing out:

> "In many ways it would have been better if those in authority had simply announced their targets and then closed the book. All that this exercise has achieved is to deepen the anger amongst so many communities who now feel doubly cheated over this issue."

One of the MPs whom the article quoted in support of that view was the right hon. Member for Southampton, Itchen (Mr. Denham), the Secretary of State's Cabinet colleague, who is protesting about the ridiculous closure of a post office in his constituency, where the alternative, as he points out, is at the top of the steepest hill in that constituency.

Mr. Hutton: I am sure that there is such a thing as a genuinely independent newspaper. I personally have not read one, but I am sure that the hon. Gentleman has found one. I do not think that his argument is the same as that of the hon. Member for Rutland and Melton—that we should have just closed the post offices without any consultation. Today's argument is about the consultation process.

Dr. Andrew Murrison (Westbury) (Con) *rose—*

Mr. Hutton: I am not going to give way for the moment.

I accept, of course, that people have expressed criticism of the consultation process, and they are perfectly entitled to do that, but my job is to try to ensure—we have tried very hard to do this—that people have the opportunity to pose a counter-argument. However, we have made the decision, which I am inviting the House to support, that the post office network will need to reduce in size. The hon. Member for Rutland and Melton has acknowledged that there needs to be a reduced network; the question for us today is how we can best manage that.

Mr. James Paice (South-East Cambridgeshire) (Con) *rose—*

Mr. Hutton: I am not going to give way for the moment.

Mr. Paice *rose—*

Mr. Hutton: If the hon. Gentleman wants to raise the same point, then I have already dealt with it, although he might not like the way that I did so. If he has a different point, we will come to that later.

Anne Snelgrove (South Swindon) (Lab): Will my right hon. Friend give way?

Mr. Paice *rose—*

Mr. Hutton: I will give way to the hon. Gentleman, and then I really would like to make progress. So far, I have got to page one of my speech. I do not want to intimidate the House, but I have 28 pages left to deliver.

Mr. Paice: I am grateful to the Secretary of State for giving way, albeit with reluctance. The serious point is that the consultation concerns which post offices to close, and my hon. Friend the Member for Rutland and Melton (Alan Duncan) made the crucial point that if, as a result of consultation, local pressure and new figures, it is decided not to close a post office, the policy that the Secretary of State is pursuing means that somewhere that is not on the original hit list will go on it. Will he explain to the House how that can be justified, and how the notion of the consultation being genuine can be correct if we are talking about such a trade-off? If it is possible to prove that a specific post office has a justified future and is viable, surely that should be the end of the matter.

Mr. Hutton: I accept that that is an important point. I was going to deal with it later, but I shall try to deal with it now. The criticism that the hon. Gentleman has made of the one-for-one rule is not true. We argued that up to 2,500 sub-post offices need to close, but we have never said that precisely 2,500 post offices must close.

Mr. Francois: That is what they are telling us.

Mr. Hutton: No, that is not what the Post Office is saying. Let me try to deal with the point by referring to what is actually happening: 14 area plans have been signed off for closure and in six of those areas, there was no one-for-one replacement requirement, but in the other eight there was. That is the point that I am trying to argue. There is no absolute rule of one in, one out; that is not how the Post Office is seeking to deal with the issue.

Anne Snelgrove: I thank my right hon. Friend for giving way; he is being very generous with his time. I share concerns about the consultation process, but does he share my anger about the fact that Tory-controlled Swindon borough council has not taken part in the consultation exercise, and did not attend any of the meetings held by Postwatch or the Post Office? The Conservatives in Swindon are now jumping on the bandwagon, but have made no representations to the Post Office or to Postwatch about the closures in my constituency.

Mr. Hutton: I am surprised that that is the case, given the arguments that the Conservative party has been trying to deploy in this debate. It is obviously for Conservative councillors in my hon. Friend's constituency to explain themselves. In this place, Conservatives foam at the mouth about the injustice of post office closures, but when they are asked to contribute to the debate on how we can sustain the post office network, they make no contribution at all.

James Brokenshire (Hornchurch) (Con): Will the Secretary of State give way?

Mr. Hutton: No, I will not give way to the hon. Gentleman now. If he will allow me, I would like to make progress with my speech. I have been speaking for 20 minutes and, as I said, I am still on page one.

It is precisely because we want to support the network, and ensure that it can continue to play the role we want it to, that the Government, on behalf of the taxpayer, are investing unprecedented resources in the post office network. The sum of £1.7 billion was referred to, and it is true that that is going in until 2011, including a new annual subsidy of £150 million a year, which will help to keep open thousands of non-commercial branches that it would be impossible to sustain were it not for this intervention.

It is worth reminding ourselves—the facts can sometimes be difficult and uncomfortable—that no Government funding or subsidy was provided at all during the period from 1979 to 1997, a period in which 3,500 sub-post offices closed. No effort was made by Conservative Ministers at any time in those 18 years to keep those sub-post offices open. Believe it or not, there are still a few hon. Gentlemen here who were Members in the House at that time, and we should hear from them at some point about the attitude they took in their constituencies when those sub-post offices were closing.

Alan Duncan: May I cite to the Secretary of State some figures pertinent to what he just said? From 1993 to 1994, the Post Office was in profit by £25 million; from 1995 to 1996, it was in profit by £35 million; and in 1996-97, it was in profit by £34 million. It was only with the arrival of his Government—this was not, I am sure, cause and effect—that it plunged into deficit.

Mr. Hutton: I am not disputing the hon. Gentleman's figures about profit, but that is not the argument. The argument is that 3,500 sub-post offices closed and the Conservative Government made no effort to keep any of them open. If he wants to contest that fact, let him come back to the Dispatch Box and describe the actions—they always speak louder than words—that the Conservative Government took to keep the network at its existing size. They took no such action.

One other rather inconvenient truth for the hon. Gentleman is that the use of the internet poses the greatest challenge to the post office network. Every month, 1 million people renew their car tax licences online. They used to do that in sub-post offices—that is true. It was certainly true in the 1980s and the 1990s, because we did not have the internet.

Mr. Davey: Will the right hon. Gentleman give way?

Malcolm Bruce (Gordon) (LD): Will the right hon. Gentleman give way?

Mr. Hutton: No, I will not.

Let us be clear about this, because we need to hear it from the hon. Member for Rutland and Melton. Is his argument that he would go back to a time when people could not renew their tax discs online?

Alan Duncan *indicated dissent.*

Mr. Hutton: The hon. Gentleman shakes his head because we know that is what he is going to say. But that is why post offices have lost so much business. It is complete pie in the sky—*[Interruption.]* He knows that. I do not remember him making that argument in his speech.

Mr. Russell Brown (Dumfries and Galloway) (Lab): Post Office Ltd needs to compete for business. All that the Conservatives are saying is that they would delay the closure of 2,500 post offices, and all that would do is delay the inevitable. Prices would be dragged down in bidding for competition and business, and sub-postmasters and postmistresses would be paid less for transactions. It would destabilise the whole system.

Mr. Hutton: I agree. I do not think that postponing a difficult decision is ever the right thing to do, but that now seems to be the policy of Her Majesty's Opposition.

Simon Hughes (North Southwark and Bermondsey) (LD): Will the Secretary of State give way?

Mr. Hutton: No, I will not give way for a while now.

The hon. Member for Rutland and Melton asked why the Post Office imposes restrictions on what sub-post offices can do and went through a long list of them, as did one of his hon. Friends. He might be interested to hear what Mr. Thomson, general secretary of the National Federation of SubPostmasters, said during the recent Select Committee inquiry in response to a question from my hon. Friend the Member for Barnsley, West and Penistone. He was asked why all these unreasonable restrictions were in place, and he said:

> "I make it absolutely clear, there are no restrictions on what existing sub-postmasters can do."

We have dealt with that canard as well. If the Post Office operated—[HON. MEMBERS: "Wrong quote."] It is not the wrong quote; it was made only a few weeks ago. *[Interruption.]* It is entirely relevant because the hon. Gentleman argued that, if all the unreasonable restrictions could be lifted, somehow all these businesses could

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suddenly move from making losses to making profits. That is exactly the hon. Gentleman's point, and it is entirely wrong.

Alan Duncan: The Secretary of State has got this completely wrapped around his neck. Our complaint is about what the remaining shop is or is not allowed to do, not about what current post offices are allowed to do.

Mr. Hutton: The hon. Gentleman made specific reference to the lottery as well. It is important to recognise what the general secretary of the National Federation of SubPostmasters had to say on that, too. He said that choices had been put in the way of existing sub-postmasters and went through the four main ones, but on the lottery he said:

"If you think about it, if a sub-postmaster, for example, was earning £5,000 a year on the Lottery commission and he just wanted to move that Lottery to the retail side"—

on which there is no restriction—

"so he is going to keep it, why would the Government possibly want to use taxpayers' money to give someone compensation for something they are continuing to do?"

That makes absolutely no sense.

Mr. Richard Benyon (Newbury) (Con): Will the Secretary of State give way?

Mr. Hutton: With great respect to the hon. Gentleman, I am going to make progress.

If the Post Office operated on a purely commercial basis, with no external subsidy, it is estimated that up to four times as many branches would have to stop trading. However, we do not believe that the Post Office should be operated purely as a commercial service. That is why we have committed such a large public subsidy and why we are working with Post Office Ltd to secure a more stable network for the future. George Thomson, general secretary of the National Federation of SubPostmasters, also recognised that. He said recently that,

"although regrettable"—

and it is regrettable—

"we believe that these closures are necessary to ensure the remaining post offices are able to thrive in the future."

We believe that changes are necessary, but we also aim to give people new reasons to use the Post Office and provide a range of services that make it a local provider of choice.

Mr. Alistair Carmichael (Orkney and Shetland) (LD): Will the Secretary of State give way?

Mr. Hutton: No.

Let us remember that, even after the closure programme is over, the Post Office will still have a bigger network than all the banks put together. It will be some three times bigger than the top five supermarket chains combined. It will still have an unparalleled reach into every community—every corner of the UK—and continue to fill an important social and economic role through the post offices in the urban and rural communities that they serve.

The Post Office has been rising to the challenge of innovation and developing new products, contrary to what the hon. Member for Rutland and Melton said. For example, it is the biggest provider of foreign exchange in the country and a major provider of car insurance. It has launched a new broadband service in partnership with British Telecom, whereby people can pay in cash if they want. It is introducing some 4,000 free-to-use cash machines, often in the most deprived areas.

Mr. David Jones (Clwyd, West) (Con): Will the Secretary of State give way?

Mr. Hutton: Not for the moment.

The Post Office has begun to exploit the great potential offered by internet shopping and mail order through the Local Collect service, which allows customers to collect deliveries at their local post office. It has introduced a new secure Christmas pre-payment scheme for savers from this Christmas onwards. The Post Office must travel that road of new services and new reasons to go to post offices, all built on a brand that people can genuinely trust.

The network must also fulfil its customers' modern-day demands. That is the basis for the decisions that we have made, after careful consideration, about the best way of sustaining a substantial network of sub-post offices. It will remain a substantial network in the light of the significant changes in the way in which the public—our constituents—use those services.

The current difficulties that the post office network faces have rightly been the subject of many debates. It is undeniable—no one has sought to dispute the facts, because they cannot—that the Post Office made losses of approximately £3.5 million a week, every week, last year, with 4 million fewer people a week visiting post offices compared with just two years ago. That is a drop of nearly 20 per cent. in customers—again, our constituents—who use sub-post offices.

No undertaking could afford to ignore the consequences of changes of that magnitude. As my right hon. Friend the Prime Minister said today, 800 post offices have fewer than 16 customers a week, and each transaction costs the taxpayer—all of us—£17 in public subsidy. In urban areas, some 1,000 sub-post offices compete for business with at least six other post offices within a mile of them. That is happening at a time when the number of customers is falling. *[Interruption.]* Opposition Members say from a sedentary position that we are keeping some of those sub-post offices open. We are—that is the precise point of the access criteria and the subsidy. We recognise the social role of post offices and we have to strike the right balance. *[Interruption.]* If the hon. Member for Rutland and Melton is asking why we are not closing them—

Alan Duncan: No, I am not.

Mr. Hutton: Apparently, he is not saying that, though he was hinting at it. The point of our actions is to keep those sub-post offices open, despite the losses that they are making, to ensure that his constituents and rural areas get a proper service. *[Interruption.]* He says that we should stop going on about the losses.

Mr. Deputy Speaker: Order. Interjections from sedentary positions make it difficult, not only for the House to know what is happening, but, more particularly, for the *Official Report* to understand what is going on. If hon. Members want to intervene, it would be helpful if they stood up and did it in the normal way.

Mr. Hutton: I accept the admonition, Mr. Deputy Speaker. It is my fault for responding to the childish observations of Opposition Front Benchers.

Sarah Teather: Let me take the Secretary of State back to his comments about the parcel collection service. Does he accept that decoupling Royal Mail from the Post Office would allow the Post Office to work with competitors and increase and expand the capacity for that, which could provide a new revenue stream for the Post Office?

Mr. Hutton: As the hon. Lady knows, the regulator has already made such a proposal, which will have to be carefully considered. It is a matter for the review that we have set up under Richard Hooper, who will examine all the consequences of proposals that people have made. However, today is not the time to deal with that specific proposal. The innovation that is under way in the Post Office confirms that we should support it in its pursuit of new business. We are doing that in parallel with the other difficult decisions that must be made now if we want the network to have a sustainable future. With great respect to the hon. Lady and the Liberal Democrat party, when one has been out of government for 100 years, one can make a series of decisions that have no consequences. Someone else will always pay for them and, worse, because we are considering Liberal Democrat economics, one can spend the same pound several times over. I have great respect for the hon. Lady but, in the real world, those are not genuine choices that Governments can make.

Sir Nicholas Winterton (Macclesfield) (Con): I am one of those who was here when the Conservative party was in government. I want to ask two questions. First, how many sub-post office closures during that period were voluntary, in that the postmaster or postmistress retired and no one could be found to replace them? I do not know whether the Secretary of State has that figure, but it is relevant if he levels complaints about the Conservatives when they were in office. Secondly, I have just renewed my passport and driving licence at a post office in the Palace of Westminster. Will the Secretary of State give an assurance that the proposals— *[Interruption.]*

Mr. Deputy Speaker: Order. That is enough of an intervention. The Secretary of State has indicated that he wants to make progress. Many hon. Members are trying to catch my eye. I appreciate that it is important to debate such matters but, unless we have fewer interventions or more progress, many hon. Members will not catch my eye and will be disappointed.

Sir Nicholas Winterton: I apologise, Mr. Deputy Speaker. Will the Secretary of State seriously consider the proposition by Essex county council and other organisations to save post offices, because they believe that they can put money in, which will enable the post offices to stay open?

Mr. Hutton: Yes, I want the Post Office to consider the proposal from Essex county council seriously. I have made that clear, as has my hon. Friend the Minister for Employment Relations and Postal Affairs. It is also clear and transparent in the letter to which I referred earlier. The letter is in the Library and the hon. Gentleman can read it at his leisure.

I, too, use the sub-post office here regularly. Indeed, I renewed my car tax here rather than online. I suspect that the hon. Gentleman and I share one thing in common: perhaps we are not the greatest internet users.

Several hon. Members *rose—*

Mr. Hutton: I must now take into account other Members' desire to contribute to the debate and I will make a little more progress.

We are invited to support or reject the motion, which asks the Government to instruct the Post Office to suspend the closure programme. My strong view is that it is a cocktail of false hopes, flawed economics and opportunism of the highest order. That is especially true, given the record of previous Conservative Governments in office. Postponing those difficult decisions would be wrong. It would result in more uncertainty for those sub-postmasters who are ready to accept the compensation deal on offer and leave the network with much of its original investment intact. The proposals would also

"threaten the stability of those offices which will make up the new 11,500-strong post office network".

Those are not my words, but the views of the National Federation of SubPostmasters; and it is right that we should give them serious consideration.

Postponing sensible decisions is rarely a sensible course of action to take. Additional resources—taxpayers' money—would need to be found. The Opposition have given no indication today or in the past of where those additional resources would come from. We can all conclude, therefore, that their proposal is another unfunded and uncosted spending commitment, which forms part of a growing list of unfunded and uncosted spending commitments.

The network needs to change if it is to adapt to changing demand. We do not believe that it can continue as it is. If we fail to act now, I am afraid that matters will only get worse. The underlying fundamentals have to be confronted and addressed. That is what we are trying to do, in a way that supports the economic and social role of the network, while giving it a long-term sustainable platform on which to build for the future.

Rob Marris: I should like to reinforce my right hon. Friend's point. The difficulty with the Conservatives' motion is that it simply calls for a moratorium, because they do not have a policy. They are not fit for government and they do not want to take tough decisions. Some of them do not even seem to understand a sub-post office's measure of profitability or otherwise and look at it only through the eyes of the sub-postmaster or sub-postmistress. The Conservatives do not look at central costs—for IT, IT support, cash handling, delivery, security and so on—when assessing whether a post office is profitable. One cannot look at only one sub-post office, however; one must also look at how much it takes out of central financing. However, the Conservatives do not understand the financing, yet they claim that they are pro-business.

Mr. Hutton: I agree strongly with my hon. Friend. We have to be clear: all the costs that he referred to are met by the Post Office, not by the sub-postmasters, and it is entirely appropriate that we should take those costs into account.

Mr. Simon Burns (West Chelmsford) (Con): On the question of the Essex scheme, would the Secretary of State be prepared to try to persuade the Post Office briefly to delay the decommissioning of post offices, so that Essex has more time to put its scheme into place and ensure that it is a success?

Mr. Hutton: I understand that the Post Office has already agreed to do that in some cases in Essex. I hope that the hon. Gentleman will find that the Post Office is open to a proper exploration of what Essex county council's proposal could look like and what it would mean. I want to discuss the Essex proposal in a minute, because it is an issue of genuine importance, not just in Essex, but for the future course of the consultations.

Mr. Davey *rose—*

Malcolm Bruce *rose—*

Kali Mountford (Colne Valley) (Lab) *rose—*

Mr. Hutton: No, I am not going to give way.

A number of points have been made about the access criteria, and so on, which I should like briefly to deal with. The access criteria that we have set down will ensure for the first time—it is important that hon. Members appreciate that—that almost all the urban population of the UK, that is 95 per cent., will be within 1 mile of their nearest Post Office outlet and that 95 per cent. of the rural population will be within 3 miles. This is the first time that such a safeguard has been provided for vulnerable consumers throughout the UK, particularly in deprived urban areas and remote areas. The additional requirement for Post Office Ltd to take account of factors such as the availability of public transport, local demographics and the impact on local economies when developing its area plans means that the criteria are more robust and should help to ensure an accessible network.

Kali Mountford: I am grateful to my right hon. Friend for giving way on that very point. Will he warn people—especially people such as Nicola Turner, the Liberal Democrat councillor in my area—to be careful not simply to stick a pin in the map and simplistically say, "I'm putting a circle of three miles around each post office," before coming up with a figure for how many post offices will be closed? If we look at things in that way and do not look at the entire picture and at all the criteria, we will leave people feeling unnecessarily vulnerable and that their post offices will be closed, when that is entirely not the case.

Mr. Hutton: Let me reassure my hon. Friend that she really has no reason to worry about the Liberal Democrats in her constituency. She should also know that it is not the Liberal Democrats who are designing the consultation in her area. However, I am sure that her points are entirely appropriate.

There is a proper appeals process, as part of the consultation exercise that we have put in place, which has three stages. In the most difficult cases, the Royal Mail chairman, Allan Leighton, will review the issues and make the final decision.

Frank Dobson (Holborn and St. Pancras) (Lab): Although I entirely endorse my right hon. Friend's views on the opportunistic activities of the Tories, may I tell him that the post office that serves the most deprived ward in my constituency is now threatened with closure? What a lot of local people find most disturbing is that when other closures were pushed through, during previous consultations, they were assured that things would be all right, because they could always go to the Crowndale road post office. However, that is the one that it is proposed for closure.

Mr. Hutton: Obviously I do not know the precise details of the consultation in my right hon. Friend's constituency, but I urge him—I am sure he will not need urging from me—to make those arguments to the Post Office, because they are perfectly credible and strong arguments. As I have said, the Post Office is under an obligation to take them into account and to justify the proposals that it is making.

There is one other important factor that we should all try to reflect on in this debate, as we come to making up our minds about which way to cast our votes. In the 23 area plans that have been published to date, on average, 90 per cent. of customers will see no change to the post office that they currently use and 99 per cent. will either see no change at all or be within one mile by road of an alternative branch. That is the reality of what we propose. I hope that hon. Members in all parts of the House will take that into consideration.

I want to turn briefly to Essex county council, which has been raised on a number of occasions. Some hon. Members have already raised the interest of local authorities in taking over the services provided by some existing sub-post offices, and I am sure that others will raise it later. Where a local authority makes serious proposals to maintain a service where branches are scheduled for closure, I would encourage Post Office Ltd fully to explore all those avenues.

It is clear that Post Office Ltd will want to ensure that all relevant costs are covered—my hon. Friend the Member for Wolverhampton, South-West (Rob Marris) made an important intervention on that point—that there is a commitment for several years and that there will not be a damaging impact on post offices in the area that are not currently scheduled for closure. Councils will need to account to local taxpayers for expenditure on a network that is currently loss making. Ultimately, it is for Post Office Ltd and any local authority to discuss and agree the details of those arrangements, and to ensure that those rules are compatible with EU rules on state aid.

As I have said, I have today written to Post Office Ltd, the Local Government Association and the National Federation of SubPostmasters to set out the Government's position. I have placed a copy of that letter in the Library.

Mr. Baron: Will the Secretary of State give way on that point?

Mr. Hutton: I have already given way to hon. Gentleman once on this point. I now intend to conclude my remarks.

If there is a way forward that might allow more sub-post offices to remain open, while retaining a sustainable network, I am sure that the Post Office will want to look closely at how any such proposals could work in practice.

There is much more that I could say; fortunately for many hon. Members, they will not have to hear me say it. There are many arguments that I could deploy if I had the right amount of time. I hope that my hon. Friends will understand what we are trying to do and the way we are setting about doing it. As I said at the beginning of my speech, I appreciate and understand the concerns that have been raised today. All of us understand the importance of such issues. Post office closures have been happening for many years and, as we know, thousands closed under the previous Conservative Government. However, what we have tried to do in the current process is manage the reduction in the size of the network, ensure reasonable access criteria for our constituents, introduce new access services in some areas and give Post Office Ltd some financial certainty, which it desperately needs.

We have made a significant financial investment in the future of the network, to allow it to adapt to the changing society that it seeks to serve. I believe that it can do so. Our responsibility is to ensure that the network has a sustainable future. For this to happen, there needs to be change. I do not believe that there is any serious, credible alternative option on the table today, and the Opposition have certainly not presented one.

For all those reasons, I ask my hon. Friends to support the Government's amendment and to reject the cynical opportunism that is so manifestly reflected in the motion that has been tabled by the Leader of the Opposition.

3 pm

Sarah Teather (Brent, East) (LD): The Chamber is full of hon. Members hoping to make speeches about the closure of their local post office, which is why the hon. Member for Rutland and Melton (Alan Duncan) promised to be brief. I am afraid that he failed in that. Being a short speaker is something that he and I normally have in common. I shall endeavour to be shorter.

I doubt that any other issue unifies communities across the country more than that of post office closures, regardless of whether it is in a rural or an urban constituency, whether the area is deprived or wealthy, or whether those affected are young or old. This is, without doubt, one of the most potent political issues of the day. The Liberal Democrats have always been opposed to the Government's closure project, which is euphemistically called the "network change programme". However, we are the only party here that has a policy to stop it. I was delighted to read that the Conservatives recognised our strength on this issue. I have here the Conservative campaign manual; I think it is called "Localiser". The Conservatives warn their candidates, in a big blue bubble, that "the Liberal Democrats campaign extensively on the issue of post office closures. If a post office is threatened with closure in your area it is vital that you quickly mount your own campaign before the Liberal Democrats commandeer the issue."

Mr. Burns: Will the hon. Lady give way?

Sarah Teather: Let me get started.

I am sorry that the Conservatives feel we have commandeered the issue, but I find it much easier to campaign on something when we have a policy on it. I would strongly recommend that the Conservatives get one. During this debate, I will have some suggestions for them on saving post offices.

Mr. Burns: From my experience, the only campaigning that the Liberal Democrats did when Chelmsford was facing post office closures was to wait until the sitting MP had done all the work—having meetings with the Post Office, writing and lobbying—then to get their clipboards out and do a high-profile collection of names. That was all.

Sarah Teather: The hon. Gentleman sounds as though he is complaining about the Liberal Democrats commandeering the issue. Of course, it would also help if the Conservatives did not have a record of closing post offices when they were in government. During their final term in office, they closed the equivalent of—*[Interruption.]* Well, I am sure we can indulge hon. Members if they would like us to. During their final term in office, they closed the equivalent of four post offices a week. That amounted to 3,500 during their time in office. However, we have also seen crocodile tears from Labour Ministers and MPs on this issue. I find it difficult to listen to them when they say they are not opposed to the network change programme in principle and that they are opposed only to the closures in their own backyard. More often, they say that the problem is not the total number of closures but the flaws in the consultation process for a particular post office in a particular town.

Mr. Mark Hendrick (Preston) (Lab/Co-op) *rose—*

Sarah Teather: The hon. Gentleman wishes me to give way, no doubt so that he can complain about a post office closure in his own area.

Mr. Hendrick: No, I do not want to complain. I just want to bring the hon. Lady back to the point about the Liberal Democrats commandeering an issue. Does that include having photographs of Liberal Democrat candidates outside a post office that they said was earmarked for closure, when in fact there was no such plan? That is what happened in the Tulketh by-election in my constituency.

Sarah Teather: I was about to say that I do not have any faith that the Government have a sustainable plan for the post office network. My fear is that this will not be the end of the post office closures; indeed, it might just be the beginning.

Malcolm Bruce: My hon. Friend will have noticed, as I did, that the Secretary of State was unwilling to give way to Liberal Democrat Members, perhaps because he knows that we have a policy on this issue. Does she agree that most people are concerned that this is not a closure policy but a process of attrition? The Secretary of State himself acknowledged that, after the last closure programme, the business of the Post Office

[Malcolm Bruce]

contracted so sharply that we had to have another closure programme. What guarantee is there that this is not the start of an endless process?

Sarah Teather: I agree with my right hon. Friend. The truth is that the Government are presiding over the managed decline of our post office network. They are choosing to do that because they totally fail to understand the social value of our post offices to the 2 million vulnerable individuals who do not have bank accounts, for example. Those people rely on the post offices to access their benefits. The Government also fail to understand the role of the post office as a social hub for the community, or the economic value of the post office to the surrounding economy.

Those of us who have had post offices closed in our communities know that the death of the post office often spells the end for the shop in which it has been housed. The hon. Member for Rutland and Melton, too, mentioned that. The death of the main shop on a street can often spell the end for the nearby parade of shops as well. In Brent, in my constituency, the post offices are just part of a long line of services facing the chop. The process started with the health centres, as the primary care trusts struggled to scale in their debts. Then police station closures were announced, followed by the closure of job centres. There is a sense that Labour is shutting up shop in our community.

Michael Jabez Foster (Hastings and Rye) (Lab): How would the hon. Lady's list of proper concerns square with the Lib Dems' proposal to privatise the Post Office and, presumably, keep just the profitable ones, of which there are only about 4,000?

Sarah Teather: We are not proposing to privatise the Post Office. We are proposing to part-privatise Royal Mail, and to keep the Post Office in the public sector because it has social value.

Geraldine Smith (Morecambe and Lunesdale) (Lab) *rose—*

Sarah Teather: I will give way again in a moment.

These closures will rip the heart out of the community. They are the places that people value for getting face-to-face advice, with centres on the high street. They provide vital local services. It is as though Labour is shutting up shop in the very heart of our communities. It is not only vulnerable individuals who are affected by post office closures; they also have a huge impact on small businesses, especially those in which people work from home as they often rely on their post office for posting parcels. When I campaign on this issue, I am struck by the fact that it is often young people who are the first to sign a petition. Perhaps that is understandable when we realise that 11 per cent. of all business transacted in post offices comes from small businesses.

The New Economics Foundation carried out some research into what happens when a post office is closed in an urban area. It estimated that the closure of such a post office would lead to a loss of about £270,000 to the local economy. Similarly, in rural economies, it is estimated that every £1 of subsidy makes between £2 and £4 for the local economy.

Julia Goldsworthy (Falmouth and Camborne) (LD): I am sure my hon. Friend is aware that £6 of every £10 withdrawn from a post office—either from a Post Office card account or by people using the post office to access their bank services—will be spent in the local economy. That money will be spent elsewhere, and lost to the local economy, if the post office closes.

Sarah Teather: My hon. Friend makes an excellent point. I tried to make the point earlier about footfall and the local parade of shops. When we lose the post office, we often lose all the shops in the area.

Geraldine Smith: Is the hon. Lady aware of the relationship between Royal Mail and the Post Office? If Royal Mail were part-privatised, that would put the universal service obligation in jeopardy and rural communities would suffer. People would end up having to go to collect their mail; it would not even be delivered to their door.

Sarah Teather: That is not true at all. I am sure that the Secretary of State will tell everyone that that is not the case when he finally adopts our policy at the end of the review.

Alan Duncan: The real problem with the hon. Lady's policy is that she wants to get a lump of money from a one-off part-privatisation in order to subsidise a constant flow of need. It is not possible to finance such a flow from a stock of money without having an end point. Her proposal is therefore economically innumerate.

Sarah Teather: We want to finance a lump sum in order to modernise the network and to allow investment in infrastructure, for example. We also propose de-coupling Royal Mail from the Post Office, as I said in an intervention on the Secretary of State, to allow it to work with Royal Mail's competitors and bring in a new revenue stream. We are also arguing for extra revenue streams, just as the hon. Gentleman is doing. What he lacks, however, is any kind of policy for investment in upgrading the network. I cannot see how he can save 2,500 post offices—or even a little fewer, as I am not quite sure what exactly he claims to be saving—without that further investment. We think we can do that, but we do not think we can do any more than that, so I cannot understand how the hon. Gentleman can seriously think he can save all these post offices without any kind of investment in them. They need that to ensure that they can compete on the high street.

Dr. Murrison: Does the hon. Lady believe that the number of post offices we have now is about right and that they are based in approximately the right place? If not, what is her assessment of how many more post offices we would have in this ideal Liberal Democrat world? How would she determine where they should be and, more importantly, how would she pay for them?

Sarah Teather: I just made a point about investing in the capital and other infrastructure in post offices. It is a bit rich of the hon. Gentleman to be asking me how many post offices there should be in a local area, when he cannot even save the ones that he is proposing to save. *[Interruption.]* At least we have a policy for investment in the network.

Simon Hughes: Does my hon. Friend agree that not only do we have a policy for investing some capital at the beginning, but we support the idea that another process for supporting local post offices will be available when the Sustainable Communities Act 2007 comes into force? If, however, the consultation process allowed MPs and the public to know the commercial facts—details of profits and losses—in many cases we would be able to win the argument, but the Post Office never allows us to have the facts that would allow a proper consultation. It keeps moving the goalposts and playing a game with mirrors, so that consultation is a sham.

Sarah Teather: I completely agree with my hon. Friend about the consultation process, which has caused more anger among hon. Members and, indeed, members of the public, than almost anything else.

Bob Spink (Castle Point) (Con) *rose*—

Annette Brooke (Mid-Dorset and North Poole) (LD) *rose*—

Sarah Teather: I shall give way in a few moments when I have finished what I am saying. There is a huge sense of frustration that the Post Office is allowing only six weeks, which is not long enough for any community organisations to work together to produce a bid to save post offices—either with or without the Sustainable Communities Bill 2007. It is difficult for councils to intervene and almost impossible for them to intervene earlier because they do not know whether the post offices they wish to work with are going to be closed later under the network change programme. As my hon. Friend the Member for North Southwark and Bermondsey (Simon Hughes) said, the goalposts are constantly moving.

Annette Brooke *rose*—

Bob Spink *rose*—

Sarah Teather: I shall give way to my hon. Friend first and then to the hon. Gentleman.

Annette Brooke: My hon. Friend rightly raises the issue of consultation. Does she share with me the concerns raised by Purbeck community partnership about the proposal to start the consultation on the network change programme on 15 July and for it to carry on for seven weeks? How can individuals be engaged when, for example, the parish and town councils may not even meet during that period? Surely the Government have some responsibility to arrange proper consultation.

Sarah Teather: It is a common complaint when consultations are arranged over a holiday period as it is difficult for community groups and political representatives to work with people in the community to stop these proposals.

I will give way now to the hon. Member for Castle Point (Bob Spink). Now that he has become independent, I hope that he will support our policies.

Bob Spink: I am grateful to the hon. Lady, who is at least trying to come forward with some constructive proposals; I welcome that, as we need them. Does she regret the fact, however, that her party did not oppose the EU regulations that prevented the Government from subsidising post offices and thereby keeping them open? It is those EU regulations that have forced the Government to go down the closure route.

Sarah Teather: The hon. Gentleman may be independent, but he is still a Conservative, as he can get Europe into almost anything! There is no evidence that Europe is stopping us subsidising the post office network.

Several hon. Members *rose*—

Sarah Teather: Let me make some progress, as I promised to be a brief speaker and I am failing miserably so far.

All this grief and all this political damage are being caused for what is actually a pretty measly amount of money that the Government are saving—just £45 million. We have to ask whether it really will be a saving when everything else has been taken into account. I provided some figures a few moments ago on how much the closure of post offices costs the local economy in urban areas—about £277,000—but that probably equates to the best part of £50,000 in VAT lost to the Treasury. If we add in other costs to individuals, such as being more isolated or the difficulty of picking up benefits, and if we also add in the cost to the community of losing its high street, and then the environmental impacts of travelling further, probably by car, to access the local post office, we have to ask what we are left with. After all, £45 million is not a lot of money in the grand scheme of Government Budgets. We also have to remember that Royal Mail awarded its own board and chief executive more than £7 million in pay and bonuses last year, and well over £5 million in bonuses and benefits alone.

As one of my hon. Friends asked earlier, is there really any evidence that the closure programme will actually deliver the increased footfall to make the remaining post offices, which the Government are relying on, profitable? Where is the evidence to suggest that it will not simply cause people to change their behaviour and do business in another way? What of the overall cost to the Royal Mail Group when businesses decide to use a competitor?

Mr. Francois: Quite a few references have already been made to the innovative proposals from Conservative-controlled Essex county council to try to ensure that at least a number of the post offices under threat in the county remain open. Does the hon. Lady support in principle that brave attempt by Essex county council, or not?

Sarah Teather: What we want is a sustainable programme, but it is obviously for local councils to decide what they do. Of course the letter placed in the Library by the Secretary of State makes the point that the Government will stop the £150 million subsidy, so councils would then be required to put the extra money in from council tax payers. It is a difficult decision for councils; they need to know that the Government have a long-term plan to ensure sustainability. There are some good

[Sarah Teather]

proposals for councils to work with the Post Office, but I really want something that is sustainable and not just about central Government shifting the blame and the responsibility on to local government, which causes local councils to pick up the costs without any kind of benefit.

The trouble is, as I have already said, that the Government have no long-term plan to save the network. The access criteria they have devised with the Post Office would be met if we had just 7,000 post offices, which raises the spectre of further closures. Of course, the £1.7 billion that the Government boast about investing over five years already includes the £150 million a year that they had already committed—£750 million overall—and the redundancy package for sub-postmasters, which is £70 million plus some extra for central changes, taking it perhaps to £100 million. The Government have not provided the exact figures on that. By the time we have added that and taken into account general losses that the Post Office incurs each week, it is hard to see how much money would be left for real investment to modernise the Post Office.

Additionally, post offices are steadily having every revenue option they have taken away from them, leaving the network with huge uncertainty over the future of the Post Office card account, for example. That is why we must clearly decouple Royal Mail from the post office network, to allow it to develop other business revenues with competitors. I have already mentioned having a parcel depot for other mail delivery companies. There would be all sorts of other options, but not until the brave step of uncoupling Royal Mail from the Post Office has been taken. We urgently need investment in the network. That is why we propose to part-privatise Royal Mail, raising about £2 billion for the Government to invest in upgrading the post office network. Crown post offices, in particular, desperately need investment to allow them to compete on the high street. They need refurbishment and IT investment, and their staff need extra training.

Mr. Edward Davey (Kingston and Surbiton) (LD): Did my hon. Friend notice that when the Secretary of State was trying to suggest that the closures were down to the internet and people not going to post offices, he failed to mention that one of the reasons why people are not going to post offices is that the Government have closed so many of them and another is the decision by the Department for Work and Pensions to bully hundreds of thousands of pensioners to take their pensions into bank accounts, in tandem with the decision of the Department for Culture, Media and Sport to take the business of TV licences away from post offices? Is not the real truth that post office closures have been brought about by the Government and are not the fault of the public?

Sarah Teather: I absolutely agree with my hon. Friend. It is as if the Government were making a deliberate attempt to close post offices down.

Chris Huhne (Eastleigh) (LD): I am following the case that my hon. Friend is making, particularly in respect of the costs to the Government. It seems to me that one cost to the Treasury and the Department for Business, Enterprise and Regulatory Reform has not been estimated at all—the cost of the closure of other parts of businesses that ineluctably fail as well when the Post Office is removed. I refer to associated VAT costs, for example, which is direct revenue lost to the Government. Following a sham consultation, four post offices in my constituency were closed despite a massive protest and more than 1,000 people signing a petition. Does my hon. Friend agree that this so-called consultation has been a fraudulent exercise?

Sarah Teather: I agree entirely. There are many hidden costs of which the Government have taken no account. We have to ask whether saving £45 million is worth all this grief, and whether the Treasury is really saving any money in the long term.

Michael Jabez Foster: Will the hon. Lady give way?

Sarah Teather: I have already given way to the hon. Gentleman. I want to finish my speech, as I know that many other Members want to speak.

We must think about alternative long-term revenue streams for the Post Office. An obvious route that has not been discussed so far is development of the Post Office card account. About five years ago, the Government charged banks with making basic bank accounts available to those who needed them, but it simply has not worked. The best part of 2 million people still do not have access to an account, and the increase in basic bank accounts appears to have stalled. It is obvious from the take-up of the Post Office card account that it has been far more popular than the offers of basic bank accounts. It is also obvious that people want to use their post offices to gain access to their accounts and that some banks have been reluctant to allow them to do so. HSBC, HBOS and the Royal Bank of Scotland, for example, still do not allow people to use post offices for that purpose.

The problem is that there really is not anything in it for banks to offer basic bank accounts to people who are never going to earn very much, and who want to be dealt with face to face. The last thing that the commercial banks want are people who go into branches. They want people who bank by phone and by internet, whereas the Post Office needs footfall. Those are two very different needs.

It is time that the Government gave banks a choice. They should either force them to make their services available through the Post Office so that all can gain access to their basic bank accounts through the network, or give up on banks and develop the Post Office card account into a basic bank account. In either event, we need a universal service obligation on access to a bank account, and the Post Office should play a role in providing it. That could offer a very fruitful revenue stream.

We oppose the closure programme because it will have a devastating and permanent effect on our communities, but petitions alone will not save the network. We need a serious plan of investment—*[Interruption]*—a serious plan of investment, which the Conservative party—*[Interruption.]*

Madam Deputy Speaker (Sylvia Heal): Order.

Sarah Teather: We need a serious plan of investment, which the Conservative party does not have—but neither do the Government, and I hope that they will adopt our policy following the review.

3.22 pm

Richard Burden (Birmingham, Northfield) (Lab): Let me begin by explaining some of the background to my interest in this issue. I was a member of the Trade and Industry Committee during the last Parliament, and was involved in the reports that first pressed Post Office Ltd to consider area plans rather than merely deciding where they wanted to change the network—to look at the broader picture, rather than at individual post offices in isolation—and to examine opportunities for post offices to win new business, as well as the constraints imposed by changing patterns of customer behaviour. When Post Office Ltd adopted the principle of area plans, I was a member of the Committee—again, the Trade and Industry Committee—which suggested that its approach to them should be rather different, and that it should change its methodology.

The review in Birmingham has not happened yet—it is scheduled for June—but when the urban reinvention programme in my constituency was launched in 2004, I submitted to Post Office Ltd a detailed analysis of the problems with its methodology and some of its conclusions. Along with an excellent campaign by local people, that managed to save two of the five post offices that were slated for closure. Last year I submitted evidence to the Department when it was drawing up the framework that led to the network change programme.

I have said all that because the discussions that have taken place, and the reports from the Trade and Industry Committee and its successor, have concerned serious questions that arise when we try to grapple with the issue of how to maintain the viable post office network that is so important to our constituents at a time of massively shifting patterns in customer behaviour and preferences. Such changes will affect the number of people who use post offices and the frequency with which they do so irrespective of the number of post offices, and irrespective of Government policies.

We must ask how much more people use phone lines than they did some years ago—and, in particular, how much they use the internet and other technologies—to gain access to services to which, in some cases, they could have had no access 10 or 15 years ago. We must also ask to what extent they seek to gain access to services that have hitherto been provided by post offices, not simply via technology but via technology outside normal working hours. There are no easy or simple answers to those serious questions.

I do not suggest that Post Office Ltd gets everything right all the time, or even much of the time. The reports that I have mentioned and the campaigns in which I have been involved convince me that there is an awful lot that it needs to learn about how to go about these programmes, and I expect to cross swords with it again in June. I feel, however, that what does the greatest disservice to our constituents is trying to pretend that the issues are simple, or—when it comes to the practical aspects of the campaign—reducing the argument to whether people are for or against post office closures in general. That was not the approach of the hon. Member for Rutland and Melton (Alan Duncan), but I shall be interested to see what happens when the debate is reported outside and represented in leaflets. I think that simplicity will find its way straight back in at that point, and that at least one Opposition party—maybe two, maybe more—will try to present the debate and Members' votes in a way that will reduce it to something simplistic and utterly meaningless.

The hon. and learned Member for Torridge and West Devon (Mr. Cox) nods, so my prediction is probably correct. I hope I am wrong, but I have to say that the Conservative party has form in this regard. Even when I was helping to question the closures in my constituency in 2004, in some cases successfully, leaflets were appearing from the Conservatives claiming that I was supporting the very closures that we managed to beat off. One Conservative leaflet doctored *Hansard* to back up its claims, which earned the party and the councillor involved a rebuke from Mr. Speaker when it was reported to the House.

We have seen similar action on this occasion. Opposition politicians have claimed that for Ministers to establish a framework for consultation and then use their positions as local Members of Parliament representing their constituents to argue within that framework and take up issues of local concern is somehow illegitimate. That does their constituents a disservice, and reduces the debate to trivia.

Martin Salter: My hon. Friend has much joy to look forward to when the Conservatives get their teeth into the issue in his constituency, but I hope he does not find that his local Conservatives are as mad as mine. They jumped the gun before the network change programme was announced, and started to campaign to save three post offices that were not even in the frame for closure. All they have managed to do is frighten local pensioners. I hope that that does not happen in Birmingham, Northfield.

Richard Burden: Let us hope not, but I am not holding my breath. This is a serious issue, and I hope that Opposition Members will think about doing the right thing by their constituents and mine, and telling the truth about it.

Turning to the situation in Birmingham, and the proposals that are likely to be published in June, I am pleased that criticisms that we made in the Select Committee some years ago have, in theory, been addressed by the Post Office in the access criteria that it has laid down. I say "in theory", because the evidence is that they have not always been followed through in practice, which is something that Post Office Ltd must address. As a local MP I will only know what the proposals are, and whether there is a problem with the methodology, towards the end of the pre-consultation phase and just before the formal consultation. If and when proposals are produced, and if there is consensus about the methodology and confidence in the way in which Post Office Ltd has drawn up its plan, even if there is disagreement about its substance, the six-week consultation is probably not too bad. In fact, the National Federation of SubPostmasters says that six weeks is probably okay, if the aim is to minimise the period of sub-postmasters' uncertainty. However, problems will arise if there is not consensus about the methodology and people end up having to argue simultaneously about the methodology and the

[Richard Burden]

proposals themselves during that same six-week period. My message to Post Office Ltd is that it should be open with stakeholders at an earlier stage, and I do not think that that contradicts the framework that it has laid down. I do not buy all its arguments about commercial confidentiality, and I certainly do not think that they should take precedence over letting the public know the things that they need to know.

Finally, as we approach the publication of proposals on Birmingham, access criteria will apply, as elsewhere, guaranteeing the maximum distances from post offices. That is important, and it is an improvement on existing measures. The problem that we face in Birmingham, however, does not relate to distance. Birmingham's neighbourhoods are often compact in size, but they are far from compact in population numbers. There is an average of 377.2 people—I do not know where the 0.2 comes from—per square kilometre in England. In Birmingham, the average is 3,649 people per square kilometre. Under the current post office provision, that is 7,088 residents per post office, which has resulted in unacceptable queues in a number of places in my constituency. The people queuing outside in the rain are often old, frail and vulnerable, and if Post Office Ltd further reduces the number of post offices without taking into account population density figures as well as distance, those queues will lengthen. That will hit customers even more, and it will hit the very trade that Post Office Ltd and the Government are trying to protect.

I hope that Post Office Ltd will look at that, and that Ministers will have another word with it about taking those things into account. The framework and the access criteria do not need to change. They are not exhaustive, but they are a guide to what Post Office Ltd should take into account, and population density in urban areas is an important consideration. When Post Office Ltd draws up its plans for Birmingham, it should be open with stakeholders earlier, as there is nothing in the access criteria or the framework that prevents it from doing so. It must rethink the sequencing of involving Postwatch, local government, local MPs and the public. If there is a problem with the methodology, that will have consequences for the extent to which it sticks to the framework.

Barry Gardiner (Brent, North) (Lab): I listened carefully to what my hon. Friend said about the effect on queuing in urban areas. Does he agree that part of the response should involve looking not only at the outlets but at the number of counters available?

Richard Burden: That is a very good point. Post Office Ltd has talked about investing in the network and upgrading it, but the proof of the pudding is in the eating. It is not good enough for it just to say that it is going to invest—it has got to look at precisely those things, and a few more besides.

Justine Greening (Putney) (Con): Does the hon. Gentleman accept that the criteria are meaningless, as this is a reverse engineering project, designed to close 2,500 post offices? I can tell him from my experience in my constituency that none of the criteria mean anything, as we are closing perfectly profitable post offices.

Richard Burden: The hon. Lady is running a number of things together, and she is wrong. If she is arguing that there should be no overall target figure—and I would love to be in that situation—that would have financial consequences. That is why I asked her hon. Friend the Member for Rutland and Melton how much subsidy he proposed. He said different things in the course of his contribution: at one stage, he did not give any commitment at all, but at another, he thought the maximum of the subsidy should be that which the Government have provided. There are consequences that flow from that—there is a financial limit, as the Conservative party, too, has accepted—and we cannot avoid numbers. I do not think that the access criteria are meaningless. However, the way in which they are structured does not tackle all situations in all places, so Post Office Ltd needs to be more sensitive.

Justine Greening *rose—*

Richard Burden: The hon. Lady has had a go, and as many other Members wish to speak, I shall now conclude.

We must be open with stakeholders at an earlier stage, and approach the consultation in that spirit. When proposing change in Birmingham and other urban areas where the reviews have not yet taken place, we must look at population figures as well as distances. We must also bear it in mind that if at the end of the process queues lengthen and those that suffer from that are the old, the frail and the vulnerable, we will not have addressed the issues that we are trying to address. I make that appeal to Post Office Ltd, and I ask Ministers to make it to Post Office Ltd as well.

DEFERRED DIVISION

Madam Deputy Speaker (Sylvia Heal): I now have to announce the result of the Division deferred on the question relating to the European defence equipment market and the European Defence Agency.

The Ayes were 254 and the Noes were 194, so the Ayes have it.

[The Division List is published at the end of today's debates.]

Post Office Closures

Question again proposed.

3.36 pm

Mr. James Paice (South-East Cambridgeshire) (Con): I am grateful to be called so early in the debate. It was clear from the Secretary of State's response to the speech by my hon. Friend the Member for Rutland and Melton (Alan Duncan) that the Secretary of State does not have full control of what is going on. In answer to my question about the alleged one-for-one policy—that if one post office was saved another had to be added to the hit list—he said it was not happening, yet he then listed a number of areas where it clearly did happen, and a number of my hon. Friends have been openly told by Post Office management that that policy does exist.

Some remarks made by Labour Members, including the Secretary of State, serve to underline the existence of a fundamental gulf between their approach and ours—and I am sorry to say that in this context the views of the Liberal Democrats are shaped in the same mould as those of the Government. There seems to be an all-pervasive attitude that the entire debate must revolve around parties outbidding each other on how much subsidy they will give—how much they are going to guarantee. That is nonsense; that is not what the issue is about. Instead, it is about how we can best use what is available, and I shall offer some ideas on that. I should just add that, like the hon. Member for Birmingham, Northfield (Richard Burden), I do not have any special pleading to make, as I do not yet know the proposals for Cambridgeshire.

The Government's approach to this matter is marked by four characteristics. There is almost an intention to create confusion about who is responsible: is the Secretary of State driving this, or the Post Office? Whenever a problem arises, it seems that it is automatically the other's responsibility. There is also a determination to micro-manage this whole process from the centre; as is typical of this Government, there is a refusal to accept that there just might be a better way. Attached to that, there is an aura almost of infallibility: the Government think that they know best, instead of accepting that they may have got this wrong and they have failed to convince anybody of their argument.

My remarks will come entirely from a rural perspective. I do not intend to refer to urban post offices simply because there are none in my constituency and I do not have a depth of knowledge about them. There are some 7,700 rural post offices, and about 65 per cent. of all rural communities have a post office. By comparison, only 10 per cent. of rural communities have a branch of a bank. That is an important distinction, because it shows that in most rural communities the post office is the only local "financial institution".

Of course, we have to accept that the majority of post offices are loss-making from a purely Post Office perspective—it would be unrealistic to deny that—but we should be looking for solutions. Before coming to that, however, I wish to emphasise the community and social role of a post office. As has been said, it is for many people a gathering place. It is also often combined with a shop and each part of the business gains from the other; attention has rightly been drawn to the amount of money people spend in the shop if they have just drawn money from the post office. Post offices are, of course, the outlets for the Post Office card account. I am sure I am not the only hon. Member who has received a lot of letters from people complaining that British Telecom now charges £4.50 when people do not pay their phone bill by direct debit. That demonstrates to me the number of people who still want to do everything by cash. That is another important reason why post offices are important, as is people's access to their benefits or pensions through them.

We have a policy, as, I believe, does the whole House, of wanting to encourage people to work increasingly from or close to their home to reduce travel. That again provides a need for rural businesses to have access to a convenient post office. Even things such as eBay, which is all-pervasive these days, generate more and more business.

The final point to make on the community and social role relates to the access criteria—the belief that the objective should be that virtually everybody is within 3 miles of a post office. We are talking about that distance as the crow flies, but in many rural areas the real distance may be double that—at least 6 miles, if not more—and it may be down narrow lanes, across motorways and so on. The proposal will certainly lead to far more car usage. A few weeks ago, I asked the Secretary of State a parliamentary question as to what assessment had been made of increased car usage and carbon emissions as a result of the proposals. Unsurprisingly, the answer came back that no such assessment had been made. I simply add that people who do not have a car will face a 2-mile walk—a 4-hour walk there and back—and that making such a journey is a near impossibility for somebody who is elderly and vulnerable.

Bill Wiggin (Leominster) (Con): My hon. Friend is making an excellent speech and is being characteristically generous in giving way. My constituency, like his, has not had the closure announcements yet. Does he agree that if the Tenbury Wells post office were nominated for closure, the nearest post office for people would be in Leysters, which is 3.5 miles away? A bus runs between Tenbury Wells and Leysters, but it does so on the third Wednesday of the month and although it takes only 10 minutes to get to Leysters, one then has to wait five hours before one can go back. Does he agree that that makes the 3-mile criterion, or any of the criteria, completely inappropriate in constituencies such as ours?

Mr. Paice: My hon. Friend makes his point admirably. I am sure that everyone who represents a rural area could recount similar situations.

Dan Rogerson (North Cornwall) (LD) *rose—*

Mr. Paice: I shall give way to the hon. Gentleman, and that will be my two interventions done.

Dan Rogerson: The hon. Gentleman is making a good point about the social element of what a post office provides, particularly in a rural community. Given that postmasters and postmistresses provide such a valuable service, does he share my concern that the threatening letters that they have received as part of this process show that they have been treated very shabbily indeed?

Mr. Paice: I do, of course, agree. I am sure that all hon. Members who represent constituencies where the consultation process has been taking place will fully understand that the way in which the consultation and the closure process are being carried out involves seriously bad practice.

My main criticism of this whole sorry saga is that it is a top-down decision. Of course some post offices are very badly run—we have all been to see them, so we cannot deny that. The simple reality is that they could be more successful if they were under different management. Many of them will never be profitable in a purely commercial sense, which is one reason why I have just discussed the social aspects.

However, we ought to help and encourage the better ones to succeed, and the consultation appears to ignore that approach. Some excellent and apparently profitable post offices are being closed. Despite what the Prime Minister said earlier today about the post offices that have only 16 or 20 customers a week—a tiny minority of post offices have such a low level of usage—the reality is that many of them will remain open because of the access criteria and the fact that they are located in the most remote areas.

What should be happening is that the Post Office should simply set delivery standards and requirements of a sub-post office and tell people how much they will get paid for the work; the figure should be one that does not incur a loss for the Post Office. That would allow the sub-postmaster or sub-postmistress to make their own judgments about whether they can operate on that basis. It may depend on what other business they attach to it. Many may say that because they value their community and own the local shop or pub, they are happy to accept a small loss, because the village needs a post office. They may want to talk to local authorities—we have heard of the example of Essex—or other voluntary bodies and the local community. It is not a question of accepting continuous losses—no Government should do that—but of letting the individuals decide whether they can run a business on the basis of the standards and finances laid down by the Post Office, including perhaps subsidising it from other activities.

All the discussion about new business for the Post Office—the Secretary of State went on and on about it this afternoon—is focused on what is being decided by the Post Office nationally. It is the Post Office in London that is deciding to look out for insurance business, currency exchange or whatever. That is top-down thinking. Instead, the entrepreneurial sub-postmaster should be able to look for his own business. He may want some help from the Post Office nationally, if that can be done, but he should be set free to find other forms of business, perhaps in conjunction with local authorities, that could be related to the post office activity and help to make his business more viable. That is why I wholly condemn the arrangement that will prevent those closing with compensation from providing similar services through other providers. It is true that such constraints are often applied for a year or two in commercial law when someone ceases an activity, but we are not talking about purely commercial situations. The Minister fully accepted that many post offices play a vital social role and the whole issue of commerciality should be pushed to one side, in terms of allowing those businesses to offer PayPal or other services. The issue is access to public services, especially in our rural areas, and is accompanied by the issues of the quality of life and social gain.

We need a much more flexible approach to the network to accommodate post offices that fail, or what happens when a sub-postmaster wishes to retire or sell up. The system should facilitate a replacement in those circumstances, and that should be self-evident if we want a comprehensive network. We need to review urgently the planning and rating systems to encourage multi-use of our premises. I know that there are good examples of pubs, churches and village halls providing post office services, but they experience difficulties, including in the ratings sector, that need to be considered carefully. In many cases, the post office is part of the only remaining shop in the village and if the post office element is closed, the shop may go down too, especially with the restraint on trade that I have mentioned. The village is then left without any service. The implications for that on the need to travel, car usage, carbon emissions, and the sheer difficulty and harassment for individuals, are obvious.

If the Government really care about the post office network, and do not take just a purely mechanistic view of it, the first thing that they must do is get a grip on what the Post Office is doing. Other hon. Members have raised the threats to sub-postmasters and mistresses who face closure. They have been told that if they get early information that their post offices are on the hit list, they must not tell anyone; otherwise, they will not get their compensation. This is all blackmail. It is wrong, and the Government have to get a grip on it. They could do other things. They could make it a condition that the lottery provider ought to enable all post offices, at least in rural areas, to have a terminal. They could say to the Post Office, "Just tell sub-postmasters and mistresses what you want from them; what the services are and how much you are prepared to pay. Let them decide whether they can take it on on that basis and let them go out and look for extra business."

The Government could do all those things. They could reverse the whole process to a bottom-up system, but they will not. That was clear from what the Secretary of State said. No one in government really understands our rural communities. The Government believe in central decision making and that no individual can be trusted to make the right decisions. The main reason that they will not do these things is that they would have to admit that they are wrong.

The Government have continued to waste billions of pounds with little to show for it, yet when they have a chance to do something good for no extra money they refuse to do so. It is typical of a Government who have had their day.

3.50 pm

Mr. Ian Cawsey (Brigg and Goole) (Lab): It is an honour to follow the hon. Member for South-East Cambridgeshire (Mr. Paice). We normally end up debating the future of pigs, so it is nice to move on to another subject, even if it still begins with the letter P.

When the announcement was first made some months ago, I was a Government Whip. It is good to be able finally to stand up in the Chamber and make some comments about how the decision has affected Brigg and Goole. I am reminded of the first time I stood for

election in 1992 in the old Brigg and Cleethorpes seat—unsuccessfully, I hasten to add—against the Tory MP Michael Brown, who is now my good friend. One of the big issues was post office closures. It seems almost like groundhog day; here we are, still discussing it—[HON. MEMBERS: "More pigs!"] There will be no more pig analogies. That is the end of it.

Thousands of post offices have been closed under Conservative and Labour Administrations. They would probably be closed under a Liberal Democrat Administration, too, if there ever was one. As the hon. Member for Rutland and Melton (Alan Duncan) candidly said, we cannot control everything in the way that we would perhaps like to.

Let me tell the House something about the experience in Brigg and Goole and how it has been handled. We are at the end of the process now and we were in the first tranche that was announced. When the announcement was made, it was proposed that Westfield Avenue post office in Goole, which is an urban post office, would be closed, and that the rural post offices in Reedness, Wroot, West Butterwick and Eastoft would change to outreach. We then went into the consultation.

A lot of hon. Members have said that the consultation was a complete sham. I would say that it was a curate's egg in some respects. It is very difficult to understand how some of the decisions were finally reached, even though some of them were definitely improvements on the original proposals.

Stephen Hammond (Wimbledon) (Con): Whether the consultation was a sham or not, did not the hon. Gentleman's constituents have the same experience as mine? First, some of the rationale that the Post Office put forward in its explanation was factually wrong. Secondly, the process was truncated to a shorter time than is usual for such consultation procedures.

Mr. Cawsey: I would agree with that, based on my experience.

Goole is a good example. We were told, "It's an urban area. There is another post office only 400 yards away, it is a big town centre that could take the capacity, and there is a regular bus journey of only 10 minutes." We could see the rationale. However, when I met the Post Office I pointed out that the bus ride, which takes only seven or eight minutes to get to the post office, is not the same on the way back. The people in the Post Office dealt with that with great incredulity. They said that they had never heard of a bus that took seven minutes to go down the road one way and then took longer to come the other way. The point was that the bus does not go that way—it is a circular route. A short journey to the post office becomes a tour round the town to come back. That had not registered on their radar at all. When we reached the final conclusion, which was that that post office should be closed, all I got was a nice little paragraph in the reasoning, something like, "The MP put up a decent argument. We looked into it but we are not doing anything about it."

We made some progress with the outreach services. It was decided that the services covering Reedness and Wroot would remain in the shops where they are presently located, and that they would continue to be delivered by the people who deliver them now. Moreover, the fact that the outreach for Reedness was to come from the Goole post office meant that it could provide more services, including road tax and foreign currency. That shows how much had changed since we started our campaign, and that the decisions amounted to a bit of a curate's egg.

What happened next has been described by other hon. Members who have contributed to the debate. A final recommendation was made: the Goole office was to close and the others would be outreached, with two offices remaining in the shops where they were located. It was then announced that a complete hash had been made of one of the outreach offices in Lincoln—what was claimed to be a short walk across level ground turned out to be on a very steep hill.

The result was that there was a change of mind about the office involved, and that the office at Wrawby was suddenly put up for closure, even though it was fine in the initial consultation. I met Post Office representatives and said that that decision was wrong because it meant that people had had to go through the mill twice, when once was bad enough. However, despite my great admiration for my right hon. Friend the Secretary of State, I was told that saving one post office meant that another office would have to go.

Justine Greening: The hon. Gentleman is reinforcing the point that I made earlier—that all the access and other criteria used to decide which post offices should close in the end mean nothing because the Post Office is determined to achieve the target of 2,500 closures.

Mr. Cawsey: A few weeks after being told that the office at Wrawby was viable, I was told that it no longer was. When I asked why, I was told that most of the offices that the Post Office proposed to keep open were not viable, but that it would propose closure only for offices that were not viable.

Mr. Angus MacNeil (Na h-Eileanan an Iar) (SNP): The hon. Gentleman is touching on a problem that I have encountered in the north of Lewis. The postmistress at Skigersta is very anxious to save her office, but she is worried that solving her problem might cause difficulties for the Port of Ness office just a little way down the round. The closure programme is putting postmistresses and postmasters in a very invidious position.

Mr. Cawsey: I understand exactly where the hon. Gentleman is coming from.

What transactions are undertaken in post offices? All hon. Members will recognise that question from their discussions with the Post Office. What one is told—on a confidential basis only—when one asks is that the number of transactions that post offices carry out is very low. I was shocked when I found out how low the number is: as a local person, I had thought that it would be much higher.

There is no doubt that a significant change has taken place. Some of it is due to demographic changes, and no firm can lose 4 million customers in a relatively short period without such changes being part of the reason. In addition, people are making different decisions about how they get their pensions and benefits. It is worth bearing in mind the fact that 80 per cent. of pensioners had stopped getting their pensions from post offices before Labour was even elected. The demographic change is therefore not new, but has been going on for some time.

[Mr. Cawsey]

I picked up a petition at one of my local post offices that appeared to have been signed by everyone in the village. I said to the sub-postmaster that he had done extraordinarily well, but he replied, "Yes, Ian, but if everyone who signed the petition used the post office I would not need it." That is another common problem.

Questions have been asked about the adequacy or otherwise of the Post Office's management. I sometimes think that they have created problems for themselves, and that they continue to do so. For example, I said earlier that I was very pleased that the office at Reedness was to stay in the shop where it is presently located. The local sub-postmistress is willing to work more hours, but to do so she requires a relatively small amount of IT and a laptop computer. Without that equipment, she is forced to rely on the time that the person from the main post office can give, but the Post Office has refused to provide it.

The Post Office is making week-by-week, month-by-month savings on the hours that the Reedness sub-postmistress works, but it will not meet the one-off capital cost involved in giving her the kit that will allow her to work extra, voluntary hours while her shop is open. I am pleased to see my hon. Friend the Minister for Employment Relations and Postal Affairs on the Front Bench, as I have raised this matter with him previously. I hope that he is able to help.

I turn now to the provision of television licences. Why did the BBC decide not to let post offices sell the stamps that people use to buy licences? The answer is that the tender from PayPoint was £100 million less than the one offered by the Post Office. Why was it so much lower, and why has no one ever challenged the Post Office about whether it was serious and credible in its attempt to get the business?

John Taylor of the Rawcliffe Bridge post office told me that he wanted to install a PayPoint terminal when the decision about television licence stamps was taken but was told that he could not do so. I understand that the arrangements are more flexible now, but when the changes were all taking place he was told that he could not do it. PayPoint found other locations and that is not going to change now.

The same sub-postmaster said to me, "If you look at the back of a British Telecom bill, where it sets out how you can pay, it no longer mentions the post office." People can still pay through their post office, but it does not say so on the bill. I took that up with British Telecom, which simply said, "We're never going to stop people paying through the post office—obviously, we have links with the Post Office historically—but it is the most expensive way for us to collect our money from customers, and we ain't going to advertise it, although we'll continue to accept payments through the post office."

Only today, a constituent who wanted to pay her water bill told me that she would be charged more at the post office than at the local garage or the local shop. It makes me think: why is the Post Office creating these barriers to business? The report of the Select Committee on Business, Enterprise and Regulatory Reform, which has been referred to, said that poor management has been a factor over the years, but that there was greater confidence in the people who are in place now. I really hope that that is true, but we are still waiting to see.

Local authorities can and should play a role, and I welcome some of the recent developments. My area is covered by two local authorities, one of which is North Lincolnshire council. When the announcement was first made, all that time ago, I had a conversation with Liz Redfern, who was then leader of the council. I asked whether there was something that the council could do. It is fair to say that I met with a polite response but not a great deal of interest. However, in May last year, North Lincolnshire was the only council in the country that went from being Conservative to Labour; I am happy about that, although I am not happy that only one council changed in that way, but at least the council concerned was my local council. Mark Kirk, who is now the leader of the council, is in discussion with its offices on how they can work with local post offices. Perhaps there can be outreach to the villages, too, so that local government services there use the post offices, boost the number of hours, and so make the post offices more viable.

My other local council is the Tory East Riding of Yorkshire council, and I have to say that on many issues, including the one that we are discussing, it is very enlightened. Stephen Parnaby, the leader, is doing a good job there. We were county councillors together. He is a good bloke, and he will be pleased that he is in *Hansard*. He came up with the idea, which his cabinet supported, of the local council becoming a corporate sub-postmaster. If the Post Office approves the idea, the council will be able to deliver post office branch services via its mobile libraries, its customer service centres, which already exist, and village schools. That is a way in which local authorities can make a big difference.

The council does not pay the tax on its vehicles at post offices, but in the council's defence, it can be said that there is a Driver and Vehicle Licensing Agency office right next door to County hall, so it is probably difficult to justify doing so. Again, that is a simple thing that councils can do: they can get all their fleet taxed at local post offices. All hon. Members should ask their local councils whether they do that.

I want to mention sub-postmasters. I welcome the package and the fact that, this time, sub-postmasters get something if they have to go, because no such provision was in place before, and that was a mistake. However, what about those who want to go? At least one sub-postmaster in my area—I will not say who it is, because that would set another hare running—really wanted to be let go, under the consultation, but he has been told that that cannot happen. What happens to those people when the process finishes? We need answers to that. We should always remember that in this debate, we are talking about the future and livelihoods of the people who run our post offices.

We are ahead of most areas; frankly, we are at the end. Goole post office is closed, and the Wroot and Reedness services are staying in the shop. We are trying to work with the council to boost services in those outreach locations. I was speaking to the sub-postmasters in West Butterwick, Eastoft and Wrawby, and for all sorts of reasons that are not the business of the House, none of them is seeking any further involvement with the Post Office. They have made their decisions about what they want to do with their lives, and they want to move on. Frankly, there would be no benefit to Brigg

and Goole from the suspension being proposed tonight. Indeed, it would mean a further period of uncertainty for the sub-postmasters concerned.

We maintain a network across our area, which is big and rural. I remain as determined as ever to work with the two councils in my area, which are of different political persuasions, to ensure that that remains the case, and to ensure that, despite the odds, we have a vibrant post office network for the future.

4.4 pm

Mr. Andrew Turner (Isle of Wight) (Con): Post office closures have hit many communities extremely hard. The Isle of Wight is no different. In Hampshire and the Isle of Wight consultations were held on 62 branch closures. However, despite many objections, only one branch was reprieved. Does not that call into question the whole consultation process? If a decision cannot be changed, it is not a consultation. The process taking place now is merely a sham.

Evidence that I have unearthed calls into question the closure process. Let us take the Isle of Wight as an example. Ten sub-post offices on the island were earmarked for closure. I worked with the rural community council and the chamber of commerce to draft a detailed response, which was submitted during the public consultation process. I should particularly like to thank Joanna Richards of the RCC for all her hard work. The first failure occurred when I did not receive an acknowledgement for the submission. That was put down to an administrative error.

My first confirmation that the closures were going ahead was a phone call the evening before the decision booklet was issued. In that booklet there appeared to be no reference to the issues that many other people and I had raised. It was as if our views did not count and the decision to close our local branches had already been taken. I am sure colleagues have had the same experience. We raised the matter with John Rattle, head of external relations at Post Office Ltd, who stated in an e-mail:

"All correspondence received is shared with Postwatch during and after the Public Consultation."

I have asked for documentary evidence from Post Office Ltd to show that my submission was taken into account. No such evidence has been forthcoming. I do not believe that any exists.

My office and I pay tribute to Gary Hepburn, south and west regional manager for Postwatch for his hard work on the current and previous closure plans. When we contacted Postwatch, Mr. Hepburn wrote:

"Postwatch finds it most unfortunate that many of our comments, and those made by you, were not mentioned in the branch summaries issued in the decision documents and we have raised this with Post Office Ltd."

Mr. Hepburn says that Postwatch does not receive all correspondence, in spite of what Mr. Rattle says. Mr. Hepburn reported:

"Post Office Ltd supply us with a summary sheet for each Post Office. . . We do not get to see individual letters and, indeed, we do not know the total number of letters received, only the number of times an issue has been raised."

Furthermore, it appears that petitions count as only one response. Postwatch stated:

"We understand that petitions and duplicated letters are either excluded from this list or count as one contact",

so not only does Postwatch not see all the responses, but it is not made aware just how strongly people feel. For example, surely if 3,000 constituents sign a petition saying that a branch should remain open because of poor transport links, it should be recorded that 3,000 people, and not just one, raised the issue.

When we raised a specific matter about the bus service in Ventnor, Post Office Ltd allegedly said it was not responsible for the buses. I accept that, of course, but surely adequate public transport provision must be taken into account by Post Office Ltd. I should be interested to hear what the Minister has to say about that.

John Hemming (Birmingham, Yardley) (LD): The hon. Gentleman has revealed how Post Office Ltd seems uninterested in public demand. Does he agree that this mass closure, which will perhaps reduce the number of post offices to 4,500, is driven more by the requirement to satisfy the needs of Post Office Ltd than by the requirement to satisfy the needs of local communities?

Mr. Turner: I do. It is not the numbers that matter, but the cost. The company does not seem to consider that. It seems to be looking at pure numbers, for the Government.

If responses are not properly taken into consideration and a decision has already been made to close 2,500 branches, including Lowtherville, Calbourne, Meadow Road and Hunnyhill on the Isle of Wight, the consultation process is a shambles.

Richard Younger-Ross (Teignbridge) (LD): On the previous consultations, is the hon. Gentleman surprised to hear that in 98 per cent. of cases the process was a sham and the Post Office went ahead with closure? In only 2 per cent. of cases did it listen to the community.

Mr. Turner: I recognise that, but I am sorry that the hon. Gentleman has only just come into the Chamber; I had not realised that.

Richard Younger-Ross: That is not true.

Mr. Turner: Not true?

Richard Younger-Ross *rose—*

Mr. Turner: I come to my second point. In answer to a parliamentary question, the Minister confirmed that only 7,500 branches are required to meet the minimum access criteria. We are told that after the network change programme, there will be a network of about 11,500 branches. What assurance can the Minister give to people on the Isle of Wight that in two or three years' time we will not be going through exactly the same process again? It would still be possible to meet the access criteria of 4,000 fewer branches, so when should we expect further closures?

My third point is about profitability. I asked Post Office Ltd whether any profitable branch had been closed under the current closure programme. In a letter to me, Alan Cook, the managing director of Post Office Ltd, wrote:

"Neither the level of profitability nor the level of saving achieved is the overriding consideration in proposing a particular branch for closure."

[Mr. Andrew Turner]

If branches are not closed because of lack of profitability—if so, I am glad—will the Minister tell us how they are selected for closure? That is not at all clear. Earlier in the letter, Mr. Cook also wrote:

"Only in the most exceptional circumstances would an office profitable to Post Office Ltd be closed under network change."

Taxpayers' money is being used to close what are effectively private businesses. Can the Minister clarify whether any have closed, and if so why?

On the whole closure issue, Post Office Ltd says that it is working to the Government's agenda, but then the Government say that decisions are an operational matter for Post Office Ltd. Surely someone is ultimately responsible. I should be grateful if the Minister told us who.

4.13 pm

Mr. Michael Clapham (Barnsley, West and Penistone) (Lab): Consultations have not yet started in my constituency, just as they have not in that of the hon. Member for South-East Cambridgeshire (Mr. Paice). As the area plan is drawn together, the local authority will no doubt be contacted to give its view. I have already started to contact my local authority and the sub-postmasters and sub-postmistresses in my constituency to ask for their views.

I am writing to the chief executive of the local authority because I want to be sure that he has taken the geographical aspects of my constituency into consideration when he writes to Post Office Ltd to give it information on the area plan.

The Select Committee on Business, Enterprise and Regulatory Reform was directed to consider the new post office plan because in previous inquiries, such as that into the urban regeneration programme, our attention had been drawn to the fact that financial losses and haphazard closures were resulting in a run-down of the sub-post office network in an unplanned way that could be greatly to its detriment. Consequently, our report of 7 February concentrated on those areas and, in particular, the consultation process. In paragraph 7, we refer to the complexities of the network and say that in answer to a parliamentary question about what size the network would need to be in order to meet the national criteria, the Government replied that just 7,500 post offices would suffice. We came to the view that it was not satisfactory to accept that the network should continue to shrink haphazardly and drift towards that figure, and that Post Office Ltd. should be obliged to use its best endeavours to keep the network at the figure of 11,500 that has been worked to.

In citing that figure, I must also draw the House's attention to a figure that Post Office Ltd used during the inquiry when it said that there could be as many as 12,000 post offices plus 500 outreach post offices. The eventual figure could therefore be anywhere between 11,500 and 12,200; perhaps the Minister will comment on that when he winds up. In any event, whether there are to be 12,200 post offices plus 500 outreach post offices or 11,500 post offices, there is no doubt that the network will require a great deal of support.

John Penrose (Weston-super-Mare) (Con): I am listening with great interest to the hon. Gentleman's account of the Select Committee's inquiry. Did it consider options other than closure to maintain the 11,000 post office branches at a profitable level, such as finding cheaper ways of delivering some of the services that are delivered manually over the counter or alternative revenue-raising opportunities for existing branches? If so, what conclusion did it reach?

Mr. Clapham: We were focusing purely on the network change programme, although we moved into other areas in considering how the Post Office may well be better prepared for the future.

During the inquiry we raised four major concerns, which are listed at the front of the report. We say that the six week consultation process was not sufficient. We go on to say that the merger between Postwatch and the consumer council may bring some disruption. We also said:

"Even with the restructuring, the long-term future of the network will depend on the entrepreneurial flair of Post Office Ltd".

That is one of the things referred to by the hon. Member for Weston-super-Mare (John Penrose)—how the Post Office may help to stimulate a more appropriate approach to the consumer in sub-post offices. Fourthly, we made a point about how the post office network should be sustained in future.

When we considered our first point, we were rather surprised about the lack of transparency in the consultation process. The process begins with an 11-week consultation, which draws up an area plan working with Postwatch—the necessary operating plan within that area. It is not until the 11th week that the local MP is approached, and between those times there is no contact or engagement with the community. We thought that that process needed to be changed.

Mr. Weir: Is the situation not slightly worse? As part of the evidence, we discovered that, on occasion, where a post office was scheduled for closure, and there had been a discussion about transferring business to another branch, business details were not shared between the two postmasters. The receiving branch did not know the closing branch's information, and vice versa. That seems a bizarre way of going about the consolidation of post offices.

Mr. Clapham: I thank the hon. Gentleman for that intervention, and he raises an important aspect. Because of the opaqueness, there is no connection between the post offices that will be affected by the process. The situation must be clarified.

Mr. Lee Scott (Ilford, North) (Con): Will the hon. Gentleman give way?

Mr. Clapham: I have taken my two interventions. The clock is moving on and many others want to speak in the debate.

In the 11th week, the MP gets involved to ensure that details drawn up in the 11-week period are made available to the public during the six-week public consultation so that the rationale behind a sub-post office being identified for closure is known. We can then properly advance

arguments for its retention. There is a need for change in the consultation process. The Minister may want to refer to this matter later: the appeals procedure is run through Postcomm, but neither the MP nor the local authority has the input that I believe they should have in that procedure. The MP should, for example, be able to get involved in the appeals procedure by making a submission.

On the merger involving Postwatch, the thing to remember is that Postwatch has played an important role. When we met the general secretary of the National Federation of SubPostmasters, Mr. Thomson, he paid tribute to the way in which Postwatch had played its part. We looked at other areas of the country, and in Glasgow, for example, we found that 24 per cent. of the post offices identified were changed as a result of Postwatch's input. Postwatch is an important part of the process. We must be aware of whether it will be able to retain its robustness if it is merged with the Consumer Council. If it loses its robustness it could disrupt the process that we want.

We have heard that some aspects of sub-post offices' business could be developed. We believe that Post Office Ltd could play a more important part in supporting postmasters who want to be more entrepreneurial.

We were concerned about whether the network could be sustained. If it is reduced to 12,200 with 500 outreach post offices or to 11,500, it will still need the Government's commitment of £1.7 billion until 2011. That is an enormous amount for sustaining the post office network. We must also be aware that there will be closures over which neither the Government nor Post Office Ltd have control. If a postmaster wants to retire, the post office could close if no alternative venue is found for it. Even though we believe that a minimum of 11,500 post offices, supported by the money that the Government have contributed, could be sustainable, there will still be fragility around the edges. We must be aware of that—I know that the Minister is.

The money that the Government are making available will make the network sustainable. The Opposition did not say whether they would make the same sort of commitment after 2011. They should be prepared to comment on that. Are they prepared to match the Government's commitment to ensure the continuity of the network?

The suspension for which the motion calls would merely delay the inevitable, caused by the change in market behaviour, which has been detrimental to the post office service. If we are to stop the haphazard and unplanned run-down, we need the sort of plan that the Government have proposed. When hon. Members decide how to vote, I hope that they will vote to ensure a sustainable post office network. That means supporting the Government's plan.

4.27 pm

Mr. John Randall (Uxbridge) (Con): I am pleased to follow the hon. Member for Barnsley, West and Penistone (Mr. Clapham), although his view of Postwatch as a robust organisation does not reflect my experience. Several hon. Members spoke to Postwatch about closures in London, and it seemed to lie on its back and wait to be tickled by the Post Office. It appeared simply to accept everything.

I shall be brief because I am aware of the number of Members who want to speak. We are considering a highly emotive subject. In my constituency and those of many hon. Friends and colleagues, it causes as much concern as any other local matter in recent times. Two post offices in my constituency are down for closure. My constituency is small, so that is a high number and I know both post offices well. Without going too far into individual merits—we could all do that—I will make a robust response to the consultation about Moorfield Road and Uxbridge Common Park Road post offices because they are as much a part of the community as the post offices in hon. Friends' rural communities. In suburbia, a parade of shops is exactly like village shops. Moorfield road is on a council estate and the post office is a vital part of the community. Masses of people have written to me about it. I agree that it is not good enough just to get a petition going and to try to make what we can out of the situation. I want to be pragmatic. I want to ensure that my constituents still get what they want.

In Uxbridge, we have had the experience of a Crown post office being moved into a branch of WH Smith—the experience has been shared elsewhere—although the move has not happened yet. We had a consultation period, during which I and members of the public raised serious concerns—the move is to the first floor, and we were worried about disabled access—and we received assurances. The post office will open next month and we will be watching it very carefully. However, the important thing is that those services will still be available. I hope that the post office will give the same service, if not a better one.

I want to speak as a retailer. As many hon. Members know, my family business has been in operation for a long time, and we have had to deal with changing patterns of what people want in the way of services. Anyone who has been in business for 120 years has to adapt. I therefore accept that things have changed and that that has not been all for the bad. Earlier we talked about eBay, for example, which has meant a lot of people wanting to post things that they are selling on.

A few years ago, we started selling stamps in my shop, when the Post Office allowed us to. They proved so popular that people started arriving with parcels that they wanted us to send, but of course we could not do so, because we are allowed only to sell first and second-class stamps, which is fine. However, I thought it would be a good idea to open a sub-post office in my shop. I was not a Member of Parliament at the time, so I was not thinking entirely of the community; I was thinking of business considerations. My shop is big enough, and a sub-post office would have brought lots of people in. However, I was told that I would not be able to have one. What amazed me, however, was that I would have been paid to have one. At that stage, I thought that I would have pay to get the franchise and have that excellent brand—the Post Office—in my shop.

I understand that it is important for a sub-post office to exist in some communities, but that that might not be economical. However, I cannot help feeling that the Post Office has certain services to offer.

David Taylor (North-West Leicestershire) (Lab/Co-op): Would the hon. Gentleman be surprised to find that, like many other hon. Members whose constituencies

[David Taylor]

face closures, I visited every sub-post office in my constituency in the 11-week period? In virtually every sub-post office I found substantial openness to modernisation and entrepreneurial flair, but from talking to Post Office management at the regional level, I found a gap between wishing the Post Office to succeed and having the vision and creativity to plot a way forward that can save the 11,500 post offices that were mentioned earlier. I am not confident that the management have that vision.

Mr. Randall: I agree with the hon. Gentleman entirely. It is a great shame and a disgrace that those entrepreneurs are not being allowed to provide the services that they want to provide and that they know their customers want. We are getting a flavour of that from, for example, the talk about the one-for-one closures—I add my name to those who have talked about it. It was less than two weeks ago that I was told about that by the Post Office. If I managed to stop one closure in my constituency, that would be one thing—the Post Office would probably try to find another post office—but actually that did not matter, because there could be another one or even five post offices in London, and then the Post Office would come looking around in Hillingdon. The situation is ridiculous.

Mr. Scott: Does my hon. Friend agree with me about the flawed consultation? When I met the Post Office to discuss the three closures proposed in my constituency, it did not even know that one post office had been closed 100 yd away, in the neighbouring constituency of Epping Forest, because it was not in London. No thought has gone into the process whatever.

Mr. Randall: I could not agree with my hon. Friend more. We have been hearing repeatedly this afternoon that the consultation is flawed. That is a point that the Minister must go away with. If one thing is to make the whole process a mockery, it is when the examples that my hon. Friend has come up with are proven to be true. I question whether the Post Office knew this or that thing about this or that post office—frankly, I do not think it did know.

Justine Greening: Another example would be the Lower Richmond Road post office, which is threatened with closure. Post Office management were apparently totally unaware that the Putney hospital site, which is now derelict, was about to be redeveloped as a primary care centre.

Mr. Randall: The fact is that these sub-post offices provide something that we all agree is unique and very special. People want them, but some management team comes in and starts to close them completely randomly. This is being done because there are too many in an area; it has nothing to do with which is the most profitable. It is hard to imagine the representative of a chain of retail stores saying, "We'll close this one and that one because they are making a loss. Those two are making a profit, but it doesn't matter. We'll close one of them anyway." Those involved are not even bothering to look at this.

John Hemming: Will the hon. Gentleman give way?

Mr. Randall: No, I must keep going. The hon. Gentleman can have his own turn later if he manages to catch your eye, Madam Deputy Speaker.

I understand the visceral hatred that Labour Members feel when asked to vote for a Conservative proposal. I also understand that they are trying to find a good reason not to vote for this motion, which is why this has become about a suspension. We have heard some excellent ideas today, including the one suggested by my hon. Friend the Member for South-East Cambridgeshire (Mr. Paice). We should now go back to the Post Office to say, "Don't close anything. These are the ideas that have been put forward. Let's think about them." As soon as I heard about the Essex county council initiative, I phoned up the leader of the London borough of Hillingdon, Ray Puddifoot, and he said that he would look into it.

I am not sure whether the Post Office actually wants to be helpful with these initiatives from local authorities. When I asked a Post Office representative how much each post office would cost, the first figure I was given was £20,000; then I was told that it could be more. I asked whether it might double to £40,000, I was told that that would about cover it—maybe. I am not sure that the Post Office wants local authorities to succeed in these initiatives. That is what upsets me, and that is why I am making a plea to Labour Members, many of whom are as upset about these closures as we are, to put aside their hatred of voting for anything proposed by the Conservatives just this once. Many of them have signed early-day motions. It is now time for us, the House of Commons, to say to the Post Office, "Stop! Let's look at how we can save these post offices. Don't just contract your business. If you keep selling everything off, it will just get smaller and smaller. Why not be adventurous? Why not be entrepreneurial? Why not try to expand the network?" That is the message that we should be sending.

4.57 pm

Michael Jabez Foster (Hastings and Rye) (Lab): There is a kind of wake going on in Hastings and Rye this week, because three of our post offices have closed. There is still hope, however, because resuscitation work is going on in respect of the Old Town post office, and I hope that common sense will prevail. Having said that, I can tell the hon. Member for Uxbridge (Mr. Randall) that I shall not be voting for the Conservative motion today, because it does not provide a solution.

The Labour Government have given more stability to the network than anything that went before—*[Laughter.]* Yes, more stability than anything that went before.

Mr. William Cash (Stone) (Con): Does the hon. Gentleman have any confidence, as I do in relation to Staffordshire, that the Essex solution is pointing somewhat in the right direction? Does he feel that it is possible to have some element of constructive engagement on that subject?

Michael Jabez Foster: Yes, I do believe that there might be alternatives. Indeed, there might be other methodologies that could save some of the post offices

that are now under threat. The Essex option—and perhaps an East Sussex option—could play that part. However, all such options would require funding.

The fact is that it is this Labour Government who have provided record funding for Post Office services—£150 million, as we have already heard, on a regular and ongoing basis for subsidising social need and £1.7 billion over the five-year period. Despite what has been said today, I am still unsure whether the Conservative Opposition are pledging that amount of money. What I am sure about is that they are not pledging anything more than that, but more will certainly be required if we are to support the sort of motion that the Conservatives have proposed today. They say no closures should happen, but some post offices will still have to close. I am not cherry-picking here and saying that our post offices should not close while everyone else's should, but it is surely a fact that some post offices will be unviable. That must be the case. Suggesting, as the Conservative motion does, that there should be no closures at all is unrealistic and therefore purposeless. For that reason, I will not support it.

Having said that, I do not believe that the present consultation or the closure programme have been right. I want to impress on the Minister for Employment Relations and Postal Affairs that other things could have happened and I certainly want the next round of considerations to be dealt with very differently.

The first thing to establish is Conservative policy. It appeared—I say "appeared", but I am not sure what tense I should be using—to be that only profitable post offices should be retained. In and of itself, however, that is faulty. If we simply maintain profitable post offices, 4,000 or thereabouts will remain throughout the country, but they will all be in urban areas, able to compete alongside each other while still making profits, but at the expense of other more socially deprived areas. That does not amount to a comprehensive universal service across the nation. For that reason, the premise must be wrong.

Ms Dawn Butler (Brent, South) (Lab): I absolutely agree with my hon. Friend's point. Does he agree that we have to fight for a sustainable post office network, but that what we should not do is give out false information about post offices when they may not be closing? Mr. Suppiah Suren of the Kensal Rise post office said:

> "There are no plans to close my branch. The Liberal Democrats have sent out the wrong information",

which resulted in his losing 15 to 20 per cent. of his business. Does my hon. Friend agree that we need to work together in a sensible manner to ensure that we have a sustainable network?

Michael Jabez Foster: I completely agree with my hon. Friend about the sort of vintage hypocrisy that we hear on the Opposition Benches, which is certainly not the way to make progress on what we all believe is an important part of our British way of life. We will not be enticed to support the Tories' gesturing until they are prepared to come up with the bucks to make it possible. At the moment, that does not seem to be likely. The Tories' banners and petitions do not impress me and will certainly not get me to support their motion this evening. We recognise that modern lifestyles and technology mean that things will change. That is inevitable. I will not deal with the Lib Dem propositions, mainly because to do so would be a waste of valuable time, but in any event, it is not yet bedtime so it is inappropriate to listen to their "happily ever after" stories.

The reality is that the post office network has to change, but how? That is where I would like to embolden the Minister to take a more robust view of what should happen. Some time ago, I spoke about post offices in my own constituency in an Adjournment debate and had discovered that the Post Office was being subsidised to the tune of £18,000 for each loss-making outlet. That is an amazing sum of money, which had never been available before. It seemed to me then that it would not be necessary to close very many post offices, so I think the Government have been rather unambitious in respect of that 2,500 figure. I know that they often say "up to" that number of closures, but it has been used as the number that the Post Office has taken as necessary.

Mr. Randall: I understand what the hon. Gentleman is saying, but does he think it is good business practice to close down a profitable business?

Michael Jabez Foster: Of course not, and if it is wholly profitable, that is great, but it should not be subsidised. The issue I want to come on to is what counts as profitable. What is the proper definition of "profitable"? This is where I want to encourage the Minister to look further into the facts. In connection with the Adjournment debate that I mentioned, I looked into exactly how much it cost to run some local branches in my constituency.

The Post Office was happy about handing me the figures until I decided to use them, but as I had not received them in confidence, I was able to share them with everyone. I was told that the post office in Tilling Green, Rye, was costing £18,000 a year to run at postmaster or local branch level, but that the on-cost or central cost—I know that my hon. Friend the Minister still thinks I have not understood the position, but I think I have—was £24,000. In other words, it was costing £18,000 to run the show and £24,000 to support it.

Then I began to look at the other figures, and I thought "How can this be? I know that this is not McDonald's or Pizza Hut and that the expertise at its centre is somewhat greater than it is in enterprises of that kind, but £24,000 to support an £18,000 outlet? It just cannot work like that." I wanted to know precisely what central costs were making a profitable outlet unprofitable, so I asked a parliamentary question about it. I am going to press my hon. Friend the Minister a little further in the hope that he can help me now.

At the beginning of February, I asked how the figures were made up. Being not entirely sure of the answer, my hon. Friend the Minister rightly said that he would ask the Post Office. A month later I asked when I would know the answer, and my hon. Friend asked the Post Office again. My question has still not been answered. Does the Post Office actually know how much it is costing to run the central administration? I do not think it does.

I want to embolden my hon. Friend. I think he has done great in ensuring that the right subsidies have been placed at the disposal of Post Office. The Labour

[Michael Jabez Foster]

Government have made it possible for the Post Office to maintain a network that it would not otherwise have been able to maintain. I do not know whether the Post Office's management are incompetent, and I will not accuse them of incompetence until I do know, but I cannot know that until I know how the central costs are made up and whether enterprises such as this are profitable or unprofitable.

I ask my hon. Friend now to insist that the Post Office give the information. It is owned by us. We are the shareholders, and we demand to know how its costs are made up so that we can determine whether the closures that are planned at present, and will be planned in future, are necessary. The Government are very bold in the main, but were they bold enough when they allowed the Post Office to consider as many as 2,500 closures? My guess is that it need not have gone as far as that. Certainly it will not need to go as far as that if we can do something about the amount that is apparently being spent by Post Office Ltd, perhaps through incompetence and perhaps not. In any event, the matter needs further investigation.

4.47 pm

Tim Loughton (East Worthing and Shoreham) (Con): I am delighted to have been called. I am particularly delighted to follow the hon. Member for Hastings and Rye (Michael Jabez Foster), and perhaps to represent the voice of sanity at the other end of Sussex, where we stand up for our post offices and for our constituents. I must tell the hon. Gentleman that he will not have "done great" himself this evening unless he supports the motion tabled by members of my party.

It is extraordinary that the focus of the Liberal Democrats' attack today has been not on the Government or their closure programme, but on the Conservatives. The same happened in my constituency when we were fighting for our post offices: the Liberal Democrats' attack was entirely based on what the Conservatives were doing, which was standing up for the post offices. It is the Liberal Democrats who are merely playing politics, and who have the audacity to claim otherwise.

I think I should declare an interest. I am pleased to speak soon after the hon. Member for Brigg and Goole (Mr. Cawsey), because earlier this week I was told by someone investigating my family tree that one of my ancestors, Joseph Loughton, and his father-in-law Ebenezer Easting ran a sub-post office in North Somercotes near Hull, just outside the hon. Gentleman's constituency, in 1892. Perhaps a more relevant interest for me to declare, however, is that my constituency contains the headquarters of the National Federation of SubPostmasters. I must say in response to what has been said by the Secretary of State and other Members that there is considerable disquiet among many sub-postmasters about the way in which they are represented by that organisation, which appears to have caved in and almost taken the Government's shilling in going along with the exercise. The new general secretary has certainly not been as robust in standing up for the future of our sub-postmasters as his predecessor, who lived in my constituency. He lives in Scotland, and comes down to Sussex every week.

On 17 December, I spoke at length on post office closures in Adur and Worthing. I was able to go on for 63 minutes, because of the collapse of business. The Minister responded to that debate and, despite three interventions from me, failed to mention the subject of post offices in Adur and Worthing. I hope that he will have another stab today, because in my constituency we are not losing one, two or three sub-post offices but seven—more than anywhere else in Sussex. It is not 18 per cent. of the sub-post office network—the average across the country—that will be going but 50 per cent. of my sub-post office branches. Mine is a predominantly urban constituency with a high pensioner population—4.6 per cent. of Worthing's population is over 85, which is the highest percentage in the country—and those people rely disproportionately on the post office network. However, they must now travel to the few remaining crowded and overworked branches.

In Lancing and Sompting in my constituency, the post offices are all to be closed, with the exception of the Crown post office, which has to provide a service for 28,000 people, although it is already struggling to deal with its increased business. The impact of the closure programme is not about nimbyism but about unfairness and unsustainability. Despite the petition signed by 6,200 people that I presented in the House, the hundreds of letters, the marches and public meetings, and the consultation exercise, which ended on Christmas eve and was truncated to six weeks, we got absolutely nowhere. On 29 January, it was confirmed that every single one of those seven branches would close. At the same time, MPs were invited by the Post Office to inspect the new state-of-the-art outreach mobile post offices, but we will not have any of those post offices in my constituency or elsewhere in Sussex. At the same time, our constituents have been serenaded with adverts for a new Christmas club, which is available at 14,000 post offices branches, if they can find one. At the same time, we have seen the multi-million pound rebranding exercise for "The People's Post Office". If that is how the Post Office thinks it will earn that title, it deserves all the criticism that is coming to it.

I have never dealt with a more duplicitous, bullying, self-serving, incompetent, arrogant and out-of-touch public body than the Post Office proved itself in the consultation. I do not use those terms lightly, and I am happy to justify my claims. You will judge, Madam Deputy Speaker, that the Post Office is off my Christmas card list, although those cards would probably only get lost in the post in any case. It is duplicitous, because it has proved itself a willing henchman following the Government edict that set in train the latest closure programme of 2,500 branches, based on spurious, ill-conceived and self-destructive criteria. Its duplicity is exceeded only by the actions of Government Ministers and Labour Back Benchers, who are happy to pose for the cameras in front of post office branches in their constituencies, pleading a special case for keeping those branches open.

Will the Minister confirm this whole question whether the Government told the Post Office that it had to close up to 2,500 branches; or does the Post Office really have to close 2,500 branches? That is a serious question that has not been answered. Let us not forget that the closures of those 2,500 branches, in contrast with what happened under previous Governments, are compulsory.

They are not voluntary—they are compulsory closures. The Government and the Post Office are duplicitous in saying that they have to close those branches because business has reduced. That has happened because the way the Government have instructed the Post Office has taken business away from post offices, following changes to the payment of pensions, the post office card account, about which the Government have dithered, and the changes to car tax discs and television licences. They are bullies, because they have virtually blackmailed sub-postmasters into accepting compensation terms at the outset, otherwise they may end up getting nothing at all. Those postmasters have, under this Government, already lost retirement tax relief, which was often based on their business. Their life savings are based on those businesses, and they cannot afford to lose that compensation if their business closes. They have been sworn to secrecy and scared out of lobbying to keep their post offices open, and, as we have heard, the compensation is linked to their not providing any competing services for at least a year: no lottery tickets, no foreign currency, no accepting payment for utilities. How is that acting in the interests of the people, rather than of the post office network, which is supposed to be there for the people? As every Member has said, the consultation was a complete and utter sham.

On the county council negotiations, I pay tribute to Essex, which has led the way, and my own West Sussex county council is currently trying to negotiate with the Post Office. I say "trying" because the Post Office is being very tardy in producing information that will allow the negotiations to go forward. All the while branches are closing down, however, and the equipment will be taken out of them, and it will be very hard to get them back up and running again if there is an eventual deal. The Post Office is clearly dragging its feet and not producing the necessary facts and figures, despite the Minister's warm words that he wishes to encourage such negotiations. Will the Government support a moratorium on closures while negotiations go forward? That is a crucial question.

I also accused the Post Office of being self-serving. It is supposed to be a community service. Its services are located within shops that are the heart of our communities, but there has been a complete lack of transparency in the consultation and closure programme. We just do not know which are the unprofitable branches, how unprofitable they are, or how much money it would take to make them profitable. Sub-postmasters have offered to take cuts in their remuneration, but, again, they have been completely rebuffed. The reasons for this lack of information on closing branches and for the Post Office dragging its feet on negotiations with other providers are that it is interested only in maximising the profitability of its remaining branches and it wants to get rid of the rest of the competition. Profits before people and public service is the hallmark of the whole enterprise.

The Post Office is incompetent because many of the facts in the consultation documents were full of holes. In the response to the consultation, in respect of one of my branches, there was a reference to the problems of crossing busy roads such as the A27. However, the A27 runs nowhere near that branch—but that was in the "facts" the Post Office used to justify the closure of that branch. When it was notified of the branch closures, one of the Worthing branches was described as being in East Sussex, but it is in West Sussex—and that from an organisation that specialises in addresses. That is completely bizarre. The response to this consultation was a total sham. In only a few lines, the future of our community post offices, the livelihoods of sub-postmasters who have dedicated themselves for many years, and the hopes of hundreds of thousands of pensioners who rely on them, were dashed without any come-back at all.

Serious question marks hang over all the access criteria as well. People are supposed to be within a mile of alternative post offices. That is all very well for a crow who lives in the post office that will be closed down, but many people live a mile the other way from the post office that will be closed down, so that could mean a two-mile trip, as the crow flies. Those criteria are also full of holes.

The consultation also ignores deprivation figures. During the consultation in Sussex, the new deprivation figures came out and they showed that my councils had slipped further down the deprivation league and that they now ranked above average for deprivation. All such factors were ignored.

The Post Office is arrogant, too. It seems to believe, with the connivance of the Government, that it should be above the scrutiny of Parliament and the parliamentary process on behalf of the people. All the claims are about the survival of the post office network. It has stuck two fingers up at pensioners, local businesses, the communities of which many post offices form the heart, environmental considerations, councils, councillors and Members of Parliament—yet it has the temerity to call itself the people's Post Office.

This whole consultation has been about blackmail and bullying. If we give in now, that will be a form of appeasement, and in a few years the Post Office will come back and say, "We need to close yet more branches in order to make the network sustainable." It is not on, and it is not fair, and we should continue to object in the fiercest terms.

4.59 pm

Martin Salter (Reading, West) (Lab): It is a pleasure to follow the impassioned plea by the hon. Member for East Worthing and Shoreham (Tim Loughton). I share some of his frustration about how this process has been handled. Even Labour Members who support the Government think that it is fair to say that the consultation process has been less than transparent, and at times shambolic. The data that have been used do not bear scrutiny.

I gave careful consideration to the motion that stands in the name of the leader of the Conservative party—after all, like all hon. Members, I am a supporter of the post office network—but I do not believe that there are market solutions to every problem and I support the use of public subsidy to sustain the network for social reasons. Although it is not particularly fashionable in new Labour circles, I also believe in state intervention to create trade for the network. That is why I would have tried a lot harder to keep many services, such as dealing with TV licences and some benefits collection, within the Post Office's purview. I believe that because I do not think that post offices are just about providing vital community services; I think that they are an embodiment of civil society at the heart of our communities, and we need to intervene to ensure that they have a future.

[Martin Salter]

Of course none of that philosophy sits easily with the Conservative party and its policy of laissez-faire economics, which would allow unprofitable businesses simply to go to the wall. I was looking for some merit when I scanned the Tory motion, but I found it not only wanting but profoundly hypocritical. It was hypocritical because the Conservative party would put no extra money on the table to sustain the network—that fact was drawn out in earlier exchanges that other hon. Members and I had with the shadow spokesman.

In fact, the Conservative approach is worse, because the shadow spokesman failed even to match the Government's commitment to provide the £1.7 billion in subsidy and investment pledged to the post office network up to 2011. Not only is the motion hypocritical, but it is incoherent. The shadow spokesman started well but ended badly. Although he accepts that in this changing world, where an increase in online transactions has undoubtedly impacted on the Post Office's business, the network would shrink, he failed to tell the House what level of shrinkage would be acceptable to him.

Mr. Andy Reed: As my hon. Friend knows, the hon. Member for Rutland and Melton (Alan Duncan) said during those earlier exchanges that he would look at the same number of closures. Many Labour Members have examined the Conservatives' position and feel, like my hon. Friend, that it offers nothing new. It is a disgrace to suggest that it contains something new. The Conservatives would provide no new money, they are making no further promises and their approach is disingenuous to constituents, whose hopes may have been raised.

Martin Salter: I thank my hon. Friend for his intervention. The Conservatives' position gets far worse, but that will have to wait until I tease out aspects of the James review later in my contribution.

I found the attitude of the Conservatives' motion not only hypocritical and incoherent, but profoundly cynical and dishonest. How can they will the ends but not provide the means? How can they accept that closures are inevitable, but fail to put a number on how many branches should close? Let us also bear a history lesson in mind. Some 3,500 post offices closed under the previous Conservative Administration and, to my certain knowledge, Tory MPs in Berkshire campaigned to defend their local post offices at that time, so how can they criticise Labour and Liberal MPs for wanting to do precisely the same thing? That does not add up.

Mr. Gordon Prentice (Pendle) (Lab): Will my hon. Friend give way?

Martin Salter: No. Before I criticise the further irresponsible tactics of the Opposition on this issue, may I just say how much I appreciated the thoughtful suggestions made by the hon. Member for South-East Cambridgeshire (Mr. Paice) and other hon. Members as to how the post office network could be better organised? I hope that rather than defending the barricade in this debate, Ministers will take on board some of the suggestions that have come from all parts of the House.

On profitability, we know that only 4,000 of the 14,000 post offices can survive without some form of annual subsidy and that annual subsidy is running at about £159 million a year. We know that the size of the network is likely to shrink, and that shrinkage has been reluctantly supported by the National Federation of SubPostmasters, which the Conservatives pray in aid from time to time. We also know that 3,500 post offices have closed under previous Administrations, when not a penny piece of subsidy was provided to support the network.

No one should support the Tory motion, because there is no hiding place for their arguments while they remain light on policy and financially free in their commitments. There is not a Tory MP who was not elected on the pledge to cut public expenditure in line with the James review. Only this week, we read that James is alive and well. I note that it was claimed on 17 March:

> "David Cameron is to salvage a Tory plan to cut government spending by £12bn that formed the centrepiece of Michael Howard's 2005 general election campaign.
>
> In a sign of his determination to cut taxes, Cameron has authorised his shadow Treasury team to dust down the so-called James review of 2004-05, which identified £12bn of potential government savings."

Said a Tory source:

> "'We are still committed to many aspects of the James review...It has some very sound ideas. Savings will go into the pot and will be used for tax cuts or spent elsewhere.'"

Not only are the Tories failing to match the existing commitment, but there is a very real prospect that budgets will be slashed still further.

Ms Butler: Does my hon. Friend agree with Billy Hayes, the CWU general secretary, who says that we should not forget that the Conservatives tried to privatise the Post Office in 1994 and that the Lib Dems are now committed to selling off 50 per cent.? He also says that the Lib Dems are a right-wing party that will say leftist things in pursuit of a vote.

Martin Salter: I am aware of the battle royal in Brent between the political parties, and I could never be as horrible to the Lib Dems as my hon. Friend is, but I certainly acknowledge that they will say one thing in one place and something else in another.

In Reading, West, we went through an especially tough time in 2004 with the network reinvention programme. Other hon. Members will also bear the scars of that time. In my constituency, we faced the proposed closure of branches in Lyon square, Whitley Wood, Beecham road and the Meadway—all areas of west Reading. But with the strong support of Postwatch and the engagement of the local community, and by focusing on two of the four branches that were clearly pushing at the envelope of the published criteria, we were able to achieve at least one success: we were able to stop the closure of the Whitley Wood branch in one of the most deprived parts of my constituency. While I was not happy to see three post offices close, I accepted that at least the process had some integrity.

That was in 2004. Let us fast forward to 2008. One of the arguments that allowed the Post Office to go ahead with the closure of the Meadway branch—I realise that the names will mean little to other hon. Members—was the fact that there was another branch within one mile, in Wantage road, also in my constituency, and we had to accept that argument. How surprised was I to find,

in 2008, that as part of the current programme the Wantage Road branch was scheduled for closure, along with a branch at Lower Tilehurst in Kentwood Hill. Like any good constituency MP, I sprang into action. We have all done it, and other hon. Members will do it when it happens in their constituencies. I raised the petitions, lobbied Postwatch and tested the proposals against the criteria. Once again, I thought we had a case on at least one of the branches.

Let this be a warning to everybody engaged in this process. I wrote to the regional chair of Postwatch, having measured the distances, considered the deprivation indices, and examined the promises that had been made before about additional counters to deal with queuing as a result of the previous closures in 2004. I wrote:

"The criteria which the Post Office use to determine whether or not to close a local post office is whether people have another post office within one mile, except in areas of significant deprivation. In these areas post offices can remain open if the residents live less than a mile from another branch. The Dee Road estate is in part served by the Wantage Road Post Office and significant data is available from Reading Borough Council to demonstrate that this is an area of deprivation. Should Wantage Road be closed, some areas of Dee Road Estate"—

that deprived estate in my constituency—

"would be 1.2 or 1.3 miles away from their nearest post office."

In addition, it was proposed that a post office at the bottom of an extremely steep hill with an intermittent bus service would be closed. The replacement post office was already overcrowded, with many pensioners queuing out into the street. We had been promised additional counters in 2004, but they did not appear—certainly not as regularly as we wanted.

We challenged the fact that no account had been taken of additional housing that was being built in the local community, with another 400 new chimney pots coming on stream—another 400 potential customers. I believe that we had put together a strong and powerful argument and I was confident, as I was in 2004, that we could deliver—or save—at least one of those post offices.

Our consultation closed on 31 January. There were reasons to be cheerful on 15 February, because the letter arrived from Postwatch. In my view, it could not have been clearer. It said: "Postwatch has very serious reservations about the consequences of the closure of the Wantage Road post office. We have received numerous concerns from customers and the local MP"—that is me—"with particular reference to Postwatch's responsibility"—this is important—"for vulnerable individuals and communities. We ask Post Office Ltd to reconsider this closure proposal, affecting as it does a relatively deprived area characterised by low incomes, high unemployment and a high proportion of social and special needs housing." We had it in black and white. It was not unreasonable to assume that that would be taken to review and that we had a good chance of saving that post office.

The reviews were then announced, and it turned out that Postwatch did not mean what it said. Although it expressed serious reservations and had asked for reconsideration, it had failed to trigger the formal process. The lesson for hon. Members is that if they get Postwatch on their side—and they need to—they should please make sure that it means what it says. Weasel words alone will not save a branch in any of our constituencies.

Finally, throughout the process the local Liberals remained silent. We do not have too many of them in west Reading, so there was no danger of their colonising the issue. The local Conservatives were noisy but spectacularly irrelevant. As I said earlier, my opposite number, the Tory candidate, launched a campaign a month before the publication of the closure programme to save three branches in Southcote, Purley and Hildens drive that were never at risk and were never going to be at risk. Yet he and his campaign failed even to lodge an objection with Postwatch or to engage in the campaign to help those branches that were earmarked for closure. This is the sort of irresponsible behaviour that has been mentioned by my hon. Friend the Member for Brent, South (Ms Butler), and means that local people, pensioners and disabled people who rely on their post office to provide vital services end up frightened and distressed.

Scaremongering and unnecessarily frightening pensioners in my constituency is no substitute for good, honest campaigning. The dishonesty, incoherence and hypocrisy in the Conservative motion are no substitute for honest politics and there is no case for going into the Lobby tonight for the Conservative party.

Several hon. Members *rose*—

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. I judge that on such an occasion it might be more important for hon. Members to be able to get something on the record rather than to have the full 12 minutes, so I propose with immediate effect to reduce the time limit to seven minutes. I hope that on that basis we should nearly get there.

5.14 pm

Mr. Alan Reid (Argyll and Bute) (LD): The Government's post office closure programme is a complete muddle. There is simply no logic in the choice of post offices to be axed, as an example from my constituency shows.

Mine is a large rural constituency in the highlands and islands, but the Post Office decided to lump Argyll and Bute in with the Greater Glasgow area in its closure programme. I could not understand the logic of that at all. Originally, seven offices in my constituency were proposed for closure. That was bad enough, but it could have been worse and the customers of the other offices breathed sighs of relief.

However, their relief was premature: as part of the consultation process, the Post Office decided to spare four offices elsewhere in the Greater Glasgow area. They all happened to be in Labour-held marginal constituencies—something that, if it happened by chance, was a remarkable coincidence.

Those reprieves in Labour marginals meant that an extra four post offices were proposed for closure in a further so-called consultation process. One was the office serving the village of Clynder in my constituency. We still do not know the outcome of the further consultation, but the Clynder office is a typical village post office. The hub of the local community, it is in the same building as the village's only shop. Closing it is therefore bound to have an effect on the shop's business, so there are sound economic reasons for keeping it open.

[Mr. Alan Reid]

If the Clynder post office closes, it will—like all such closures—be to the detriment of village life. I simply do not understand why that office must be closed in order to spare an urban post office in a completely different environment. If the four post offices in Greater Glasgow that were originally considered eligible to be saved deserve it, that is fine and they should be saved. However, the Clynder office—which only last October was deemed worthy of staying open—should not be closed simply as a means to achieve the Government's artificial target of 2,500 closures.

The postmaster at Clynder, Douglas Nicolson, has given 40 years of loyal service to the local community. He is a source of help and advice to all his customers. Such benefits cannot be measured in profit-and-loss terms, and I hope that the Post Office will relent and save the office at Clynder.

Although some post offices in my constituency are facing the axe, that does not mean that the others can relax. There is concern about the long-term viability of all the ones that have escaped the axe, especially those in small communities. For example, the post office in the small village of St. Catherines in my constituency suddenly shut its doors a few weeks ago. I contacted the Post Office and was assured that it is actively seeking someone to take over the business, but several other offices in the highlands and islands have been in a similar position for a long time. I am therefore very concerned that the St. Catherines office may never be reopened and that, gradually and over time, many other post offices in small communities in my constituency may also close.

The problem is that the Government must ensure that post offices are given enough business and support to remain viable. I hope that Ministers will provide an assurance at the end of today's debate that the offices that have escaped the axe in the current closure programme will have a secure future in the long term.

In that respect, the successor to the Post Office card account is vital to the future of our post offices. The Government must ensure that the Post Office retains the contract when the current one expires in two years' time. Only the Post Office has the rural network needed to deliver the contract, and there must be no repeat of the TV licence fiasco. Then, the contract was taken away from the Post Office and given to PayPoint, a company that does not have a rural network that can match the Post Office's. For example, several islands in my constituency have a post office but no PayPoint outlet, with the result that TV viewers there cannot renew their licences over the counter.

The future of the Post Office card account is a vital issue, but POCA must be given more facilities. It should be developed into a basic bank account with functions such as the ability to make cash deposits. That is the route that French and German post offices have gone down, and I hope that the Government will take this country down that route, too. A Post Office bank account with basic banking facilities would, I am sure, make the network sustainable and contribute towards meeting the Government's aims as regards financial inclusion. I hope that the Government will adopt that as the long-term solution.

As for today's debate, I will certainly support the motion calling for a suspension of the post office closure programme. If the programme were suspended, it would allow the Essex proposals to be investigated, and it would give councils and local community groups the time to explore opportunities for sharing services with the post office, put together business plans and secure funding. I believe that there is scope for making savings by sharing post office services with the services of councils and other local agencies. I hope that hon. Members will support the motion, as that will allow time for all the options to be explored.

5.20 pm

Geraldine Smith (Morecambe and Lunesdale) (Lab): Not only do I have a constituency interest in the debate, but I worked for the Post Office for 18 years. Indeed, for a time I worked in the chairman's office, answering MPs' letters, and I am very glad that I am not there now, because I am sure that I would have had quite a few.

I received a letter from the hon. Member for Wealden (Charles Hendry), the shadow Minister for postal affairs. I ask him not to make a habit of sending me letters. I have enough problems with my own party's Whips without the Opposition trying to whip me, too. However, I will be supporting the motion; I have given the matter careful consideration. I support the wording, but I detect a whiff of hypocrisy from the Conservative party on reinvestment in the network. If the Conservatives were in government, postal services would be in a worse position. I know that because I had to fight, along with the Secretary of State for Health, who led a magnificent campaign, to save Morecambe post office—a Crown post office—and a post office in Lancaster from closure when the Conservatives were in power. Indeed, they tried to privatise Royal Mail and the rest of the Post Office, so I will take no lessons from them on what we should do to save the network. However, I have read the motion, and the wording mirrors my thoughts on the issue, so for that reason only, I will support it.

Alan Simpson (Nottingham, South) (Lab): My hon. Friend speaks for many Labour Members who have engaged with the consultation and worked with local communities and local authorities only to be ignored, and who have had the support of Postwatch only for that to be ignored. I wrote to Allan Leighton, too, only to get a reply from the woman who sent out the original closure notice. The fundamental issue at stake is how Parliament holds the Post Office to account for a closure programme that makes no sense.

Geraldine Smith: Yes, I agree completely. The consultation has been a complete sham. I think that everyone in the House agrees with that. On the post office closures, I have not been able to get commercial information relating to my constituency from the Post Office. There is a village post office that is open for two mornings a week, and the village would settle for one morning a week, but the Post Office will not tell me how much that would cost. One of the post offices in my constituency, on Kellet road in Carnforth, is a viable office; I know that because I know the sub-postmistress personally. She has given me the information and there is no way that that office should be closing.

David Taylor: I declare an interest: I am from the fourth generation of a post office family, and have two post offices closing in my constituency in the next few days, including one in my home village. My hon. Friend talks about figures; the Government tell us that the average saving from each of the 2,500 closures is £18,000. That is a total of £45 million, which does not lop off a substantial amount from the subsidy that is allegedly needed to keep the post office network going. Does she agree that over the next few years, irrespective of what happens, there will be further economic closures—

Mr. Deputy Speaker: Order. It is an abuse to take so much time on an intervention when we are very tight for time and many hon. Members who have been in the Chamber for the entire debate are waiting to speak.

Geraldine Smith: The key to helping the post office network survive is making sure that new business is found for it. We talk about the subsidy for the Post Office. Let us have fewer consultants across Government Departments. We could save a fortune.

It is wrong that viable post offices are being closed. That is clearly what is happening in some cases. That information is not being made available to Members of Parliament. As I said, I have asked the Post Office for the information but it has still not given it to me. That is wrong.

Another office in my constituency, Nether Kellet, is a village shop—the last shop in the village. If that office closes, the nearest one, although it may be within the recommended distance, is very hard to get to because there is no direct public transport. No thought has been given to the proposals by the Post Office. That is why we should take a step back and rethink them.

I have concerns also about the Crown office network and what will happen to that. Crown offices across the country give a reliable service to the public. The staff are highly trained and we must be careful that we are not franchising them out. We should ensure that they are protected.

I saw a press release from the Communication Workers Union and I agree with what it says. It calls on the Government

"to suspend the deeply unpopular closure programme and provide lasting investment to secure the future of the Post Office network".

However, the union also says that it is

"concerned that the Conservative Party does not have the best interests of the network at heart, as its policy effectively calls for it to be dismantled".

Let us have a bit of honesty in the debate. Let us not have complete opportunism from the Opposition.

5.27 pm

Mr. Nick Gibb (Bognor Regis and Littlehampton) (Con): It is a pleasure to follow the hon. Member for Morecambe and Lunesdale (Geraldine Smith), who has already demonstrated in her career that she is a Member of principle. Tonight she is yet again doing the right thing, unlike many of her colleagues.

The Post Office proposes to close a third of the post office network in Bognor Regis and Littlehampton—five post offices in Bognor Regis and one in Littlehampton. The truncated consultation process has caused a real problem. We have had petitions and public demonstrations. We held a public meeting in Littlehampton which someone from the Post Office attended, but when a big public meeting was held in Bognor Regis, where five post offices are to close, no one from the Post Office was able to attend. Why? Because they were busy attending public meetings in London. If that consultation period had been longer, the Post Office would have had people available to come to Bognor Regis.

Mr. James Arbuthnot (North-East Hampshire) (Con): Does my hon. Friend agree with the hon. Member for Morecambe and Lunesdale (Geraldine Smith) that the length of consultation does not make much difference if the consultation was a complete sham?

Mr. Gibb: My right hon. Friend makes a telling point. The view is shared by many people in Bognor Regis and Littlehampton that the whole consultation process is a sham and that no notice will be taken by the Post Office of the views of local residents. The fact that no one from the Post Office attended that public meeting in Bognor Regis compounds that view. The Select Committee said of the process:

"The lack of transparency also leads to a misunderstanding of the nature of the consultation among local residents, and has engendered the belief that the public consultations are a sham."

The branches proposed for closure in my constituency are in areas where a high proportion of the residents are elderly or very elderly, by which I mean over the age of 85. The Craigweil-on-Sea branch serves a population in which 38 per cent. are retired and the Aldwick branch serves a population in which 36 per cent. are retired. Nearly 40 per cent. of the residents of Aldwick and Craigweil are over the age of 65 and 5 per cent. are over 85.

In Littlehampton the Beach branch in Norfolk road serves a population in which 27 per cent. are retired, more than a quarter are over the age of 65 and more than

"one in five people have a Limiting Life Long illness."

The people who use the Norfolk road branch tend to be very elderly people who live close by and who can just walk the short distance to the post office and the grocery store, but no further. As the Select Committee report said:

"We have had numerous complaints that proposals failed to take account...of high concentrations of elderly or disabled people living close to offices scheduled for closure."

Mr. Boris Johnson (Henley) (Con): My hon. Friend is making an excellent point. I speak for Henley, where we face closures in Stanton St. John and Crowmarsh Gifford, but the closure of post offices affects the elderly population not only in rural communities; I also have direct experience of the issue in London, where elderly people are being deprived of vital services. By closing post offices, we not only deprive the elderly of those services, but rip out the lynchpin of the local economy. That applies not only in the villages, for which—

Mr. Deputy Speaker: Order. I ask the hon. Gentleman to respect the fact that we must have short interventions.

Mr. Gibb: I am grateful to my hon. Friend for that important intervention. He will make a great advocate for London, and I wish him all the very best.

[Mr. Gibb]

It is clear that the Post Office has failed to take into account high concentrations of the elderly and very elderly. The very elderly tend to have abandoned the use of a car, owing to failing eyesight or poor general health, and they struggle to make their way to their local shops and post office on foot, by wheelchair or by scooter. Travelling to the next nearest post office will be impossible for many elderly residents. The next nearest post office to Craigweil is at Rose Green, and getting there would mean walking nearly a mile along a route parts of which have no footpath.

Residents in the Beach area of Littlehampton will find themselves having to use the main Crown post office in Littlehampton if the Beach branch is closed. As well as being difficult to get to from there, Littlehampton's Crown post office is notorious for its lengthy and time-consuming queues; that is consistent with other Crown post offices around the country. The Select Committee said:

"Queuing times at Crown Offices were longer than in most franchised operations (a consideration for frailer customers)".

If the Beach branch is to close, I hope that Post Office Ltd will give an undertaking to put extra staff in Crown post offices and provide seating and help for elderly and disabled customers.

Public transport in Bognor Regis and Littlehampton is very poor. Many of the bus services that do exist are infrequent and depend on subsidies from West Sussex county council; those are often reviewed and services are often withdrawn. If the Hawthorn Road and South Bersted branches closed, a large area of residential Bognor Regis would be devoid of any post office branch. Part of that area encompasses two of the most deprived wards in west Sussex; only one third of residents in Pevensey, for example, own a car. Given poor public transport, there is great reliance on post offices remaining local. Closing those two branches would present real difficulties for many residents in the area.

Like many towns in the area, Bognor Regis and Littlehampton have grown from smaller communities that have merged over time. The Beach Town area of Littlehampton was a separate town until development joined it to the rest of Littlehampton. The small parade of shops in that area is a community in itself. If we lose the post office branch run by Bharti and Raj Shah at the back of the grocery store, and if the grocery store goes as well, we will lose the hub of a community in Littlehampton. The same will happen if we lose the post office in Craigweil, which has a parade of shops near the sea and which is cut off from other parts of Bognor Regis. If we lose the shop and the post office, which is run by Barbara and Robin Doe, the whole hub of that community will go as well.

In conclusion, the proposed closure plan for the post office network of Bognor Regis and Littlehampton involves a third of the branches—almost double the national figure of 18 per cent. The area has a much higher proportion of the elderly and very elderly, who are the section of the population most dependent on the existence of a locally sited post office. Although the Post Office will have recorded the proportion of retired people living in the area, the closure programme has not taken into account the numbers of very elderly people. I urge the House to support the Opposition motion this evening, to suspend the compulsory closure of the sub-post office network.

5.34 pm

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): It is a great pleasure to follow my hon. Friend the Member for Bognor Regis and Littlehampton (Mr. Gibb). Many of the characteristics of his constituency also apply to mine, in that we have the third highest number of over-85-year-olds of any constituency in the country.

The first few words of the amendment say that the Government

"recognises the vital social and economic role of post offices, in particular in rural and deprived urban communities".

Let us see how they live up to that pledge in the Cotswolds. With a nationwide loss of 18 per cent. of post offices, the Cotswolds region is losing 12 of its branches—four completely and eight through outreach. That is a quarter of its post office network. Many local businesses depend on their post office. The bus service in the Cotswolds is, in many cases, almost non-existent, so this will hit the elderly and vulnerable particularly hard. Eleven of those 12 post offices—I would like the Minister particularly to listen to this point—have a shop attached to them. If the story first broken in *The Daily Telegraph* is true and the Post Office intends to restrict the business that those shops are allowed to offer as a result of the post office closing, because it might duplicate what the post office originally offered, that would be a further devastating and possibly destabilising blow wreaked by the Government on the highly rural areas in my constituency.

Mr. Philip Dunne (Ludlow) (Con): My hon. Friend's description of his constituency mirrors much of the experience in mine, where local shops would also close. Moreover, the absence of alternative financial services outlets, with very few banks, means that the post office provides access to financial services for some of the most vulnerable in our community. With that gone, the whole financial inclusion agenda is in serious trouble in rural areas.

Mr. Clifton-Brown: As always, my hon. Friend makes pertinent points on behalf of his constituents. He looks after them very well in this House, and he has done so again on this occasion. I entirely agree with what he said.

The closures have resulted in the biggest single constituency campaign that I have dealt with in 16 years as a Member of Parliament. I have received more than 500 letters, all of which have been summarised, and 12 separate representations had been made to Post Office Ltd at the end of the closure of the consultation period at the beginning of this week, with copies sent to the Minister. I have organised eight well-attended public meetings, and we had a march in the centre of Cirencester at which 500 residents turned up to demonstrate about the fact that if a vast number of extra people have to go to the Crown post office in Cirencester, it will not be able to cope.

I want to provide the Minister with a brief rural tour of the Cotswolds to demonstrate some of the problems with the consultation, beginning with the very northern

and southern edges of my constituency, on the Worcestershire-Warwickshire boundary in the case of Weston-sub-Edge, and on the Wiltshire boundary in the case of Meysey Hampton. The problem there is that because the consultation was done for different areas in different parts of the country, and neither Worcestershire, Warwickshire nor Wiltshire has yet been reviewed, residents are having their post office closed without knowing what the future of the post office in the adjoining county is going to be. I believe that the Government and the Post Office have deliberately staggered the closure programme on that basis to avoid the national outcry that would otherwise take place.

I should like now to go to the most rural part of my constituency—Temple Guiting and Guiting Power. Those two villages expected that one of their post offices would close and were completely taken aback when they both closed. One of those post offices has just two hours of outreach. I have made representations to the Post Office and to the Minister about the alterations that could be made to that outreach. Will he comment on how it is going to be funded, how long it is likely to last, and what provisions there will be to review it once it is in place and we find that it is not working as well as it might? Those two villages will be joined by residents from Longborough, who are extremely vociferous about their closure, and Blockley, where they are trying to form a co-operative village shop in order to keep their post office open.

In the highly likely event that any of the residents affected by all five closures find themselves needing a post office out of outreach hours, they will be forced to go to Bourton-on-the-Water, Stow or Moreton-in-Marsh. I defy the Minister, in the middle of a summer afternoon with a large influx of visitors, to find a car-parking space within two miles of those post offices.

I come to two other rural post offices—those of Sherborne and Aldsworth. One of the young schoolchildren in Sherborne managed to get 200 names on a petition in just two hours, such is the strength of feeling in that village.

In the limited time left to me, I want to talk about Cirencester, which currently has three branches: one Crown post office, and two sub-post offices. The two sub-post offices are Stratton, which serves 5,400 residents, and the Beeches, which serves 12,300 residents. In the case of Stratton, at my well-attended public meeting of 250 people—I hope that the Minister will bear this in mind—the sub-postmaster, John Lafford, reported two amazing facts. These are on the public record. In January alone, he had a turnover of £468,000—in just one month—and he was offered a payment of £100,000 if he took the post office closure payment, but he wants to stay open because he enjoys serving the community. What a way to go about a closure programme. The Beeches serves 12,300 residents, with another 750 new houses about to be built, but it is scheduled for closure. Surely the Government can think of a more sensible programme than closing such profitable post offices, which is really the politics of the madhouse.

If the closures go ahead, and the two closest post offices to Cirencester—Rendcomb and Colesbourne—are also closed, a population of 19,000 people in the town of Cirencester and the surrounding 21 villages, across 100 square miles, will be left with one inadequate Crown post office. I do not know of anywhere in the country where such a monstrous proposal is in place. I ask the Minister if he will seriously reconsider the proposals, particularly in the case of Cirencester.

I end on this note. Much has been made in this debate about the services that have been run down in our post offices, but I want to ask the Minister what positive proposals he has to introduce new services. I think that I was one of the first Members to mention the idea of having a broadband connection in every post office. If such a connection were provided, a huge amount of information would be available to all my constituents. It is amazing that even elderly constituents are becoming more computer literate every day—a surprising factor. With a little invention, the Post Office could offer a lot of other things. It could offer ATMs, which could be further refined so that they were compatible with the Post Office benefit card; benefit claimants could then draw cash from their own post office. A lot of services could be provided by the Post Office, and as other hon. Members have said, it should be much more free in the amount of services it allows sub-postmasters and mistresses to offer.

In closing, I say to the Minister that the consultation is flawed. I am not a luddite. The system cannot remain exactly as it is, and it needs some rationalisation, but the way in which the Government have dealt with the consultation is flawed. It is wrong, and the wrong branches are being closed. I ask him to think again, particularly about the two branches in Cirencester.

5.43 pm

Kate Hoey (Vauxhall) (Lab): I shall be very brief. Any member of the public reading the Opposition's motion would find it strange that anyone could vote against it, particularly those who are concerned about their own post offices and what is happening in their constituencies. The suspension of the compulsory closure of sub-post offices while all the issues are reassessed is common sense, and no one should feel that they are being disloyal to their party or the Government in voting for it.

All of us feel strongly about the closure programme, and, as many hon. Members have said, this Parliament is ultimately responsible for the matter. I would have preferred a Government motion calling for such a suspension, which we could have supported, but it is an Opposition one, and I shall support it. As chair of the all-party group on post offices, I have done everything in my constituency absolutely by the book. London is in the middle of its very short consultation period—I am not sure whether that makes a lot of difference. A suspension would give us more time to oppose the closure of particular sub-post offices. I have gone through all the criteria for my Lambeth Walk post office on Vauxhall street. I have measured everything, had Postwatch down and held a public meeting. The local community is totally involved and supportive.

Huge amounts of regeneration are coming into our area about which Royal Mail and the Post Office did not know. We are presenting all the information, including the deprivation figures and the fact that there are eight sheltered homes within a few hundred yards of the post office. It would be a disgrace if, under the existing criteria, the post office did not stay open. I will wait and see.

[Kate Hoey]

I have done everything by the book and I am sure that that applies to many colleagues. By voting for the motion, we send a little signal, which tells the Government that they are responsible for determining the figures—arbitrary figures that have been plucked out of the air.

Today, all sorts of ideas have been expressed about possible changes, including legal action that might happen in London, proposals that Essex and other local authorities have made, and the Government using the Post Office more and instructing the BBC to allow television licences to be bought in post offices. Many things can be done, but we need more time. The motion is sensible and I hope that many of my colleagues will join me in the Lobby tonight.

5.45 pm

Mr. David Evennett (Bexleyheath and Crayford) (Con): I am pleased that we are holding a debate on a subject of considerable concern to my constituents and I am glad that I can make a brief contribution to it.

I was disappointed in the Secretary of State's speech, which failed to deal with the genuine concerns of all our constituents about the changes in the postal service. I congratulate my hon. Friend the shadow Secretary of State on a constructive and logical approach to examining those issues and highlighting the flaws in the action that is being taken.

My hon. Friend the Member for Uxbridge (Mr. Randall) made a speech that I strongly supported, which covered most of the issues that face suburban and Greater London post office closures. We hope that the Government will listen today and propose a rethink. We also hope that the Post Office will suspend the closure programme to consider the possible alternatives. For example, we have discussed Essex county council's proposal, which could ameliorate the problems.

In the past few years in Bexleyheath and Crayford, we have lost many of our sub-post offices—in Barnehurst, Lesnes Abbey, Brampton and on the boundary between Barnehurst and Collier's ward. Today, we are threatened with yet another closure in the Brampton ward of my constituency. Like my hon. Friend the Member for Uxbridge, we have experienced the closure of a popular and busy post office and its relocation to the upstairs of WH Smith in the centre of the town. It has just opened, and we were genuinely worried about the relocation because of the lifts, the staff, the location and mobility problems for those who are disabled or have children in pushchairs and prams. We will wait and see how it works out.

I want to highlight the Brampton road post office, which is threatened. Its closure is subject to consultation. It opens for 51 hours a week and completes between 750 and 990 transactions a week at its two service positions. It has level access, provides euros on demand and has an external ATM facility. There is unrestricted parking and a bus stop 100 yd away. Many of those who use the post office are pensioners who do not own a car and do not find mobility easy. The closure of the branch would cause genuine hardship to people in and around the area that I represent in Brampton. There are alternative branches, but they are a considerable distance away—in Long lane, which is more than a mile away, and Wroughton road, which is two thirds of a mile away. They are open for less time and do not have easy access via buses.

On Friday 22 February, we held some meetings in my local office with representatives of Post Office Ltd to discuss the proposed closure. I made strong points about the disadvantage it would cause local people. Of course we understand that the Government have been responsible for reducing the Post Office's opportunities to serve the community—that has been well discussed this afternoon, so I will not repeat those points.

One of the issues raised by Melanie Corfield, who is head of external relations for the south-east, was the opportunities for new products that the Post Office wants to promote. One of those, which was in its business plan, was financial services. The Post Office extolled the new bond backed by the Bank of Ireland, which it hoped people would buy, thereby creating new development services for it. However, I made the point, strongly and forcefully, that it was difficult for people to get to post offices and therefore difficult for them to use the new services. If post offices are not in communities, there will obviously be a disincentive for people who do not have cars or easy mobility to take up those new opportunities.

There are serious concerns about closing branches without considering the needs of local communities. Many local businesses are also concerned about the loss of a facility that they use. I had meetings with many local shopkeepers and businesses that were great users of the services offered by the Brampton road branch. They were concerned about how their businesses would suffer if the branch closed.

Greg Mulholland (Leeds, North-West) (LD): Will the hon. Gentleman give way?

Mr. Evennett: I intend no disrespect to the hon. Gentleman, but we do not have much time and I know that everyone wants to get in. I therefore feel obliged not to take any interventions.

The decisions to close local post offices are misguided and will ultimately damage the Post Office's business and its reputation. The consultation exercise, which I raised in an intervention on the Secretary of State, is flawed and a sham. Previous consultations, which were well supported by my constituents who want to keep the branch open, have been ignored and rejected by the Post Office. Logical and reasonable arguments about why a post office should remain—because of business, pensioners, transport, distance or community—have all received a blanket rejection.

It is no wonder that people feel disengaged from community political activity, when they feel that their voices are not being heard. The fear remains that the Post Office and the Government, who control the service, are out of touch. Both will suffer if we do not place a moratorium on the closures and consider the alternatives. The issue is important throughout the country, no more so than in my constituency and across suburbia and Greater London. The Government should think again.

5.53 pm

Mr. Richard Benyon (Newbury) (Con): I shall try to be as brief as I can. I start by declaring an interest. I own a building that contains a post office that is due to be closed under the network change programme.

Five post offices in my constituency face closure. I disagree with every decision, as one would expect, but in every case I can find flaws in the process and many reasons why the post offices should not close. Two of the post offices proposed for closure are in urban areas; one of them is in Thatcham, an area that suffered the worst flooding in south-east England last July. The community faces not only the closure of its post office, but an enormous influx of new housing, through the redevelopment of an Army base that was vacated some years ago. It seems quite bizarre that the community in south Thatcham should face that closure.

Other branches are in rural settings, including in the village where I live. I have been using that post office since I could walk, and probably since before then. The anger and frustration at the lack of thought and understanding, and—as I shall explain if I have time—at the lack of humanity behind the process has been profoundly felt by the many thousands of people throughout the community who will be directly affected and by the many more who will be indirectly affected.

I had a pyrrhic victory in this process at the start of the consultation, in which we virtually got the consultation period extended. In an act that perhaps exemplifies the incompetence with which all this has been done, the Government decided that the six-week consultation period should include Christmas. Post offices are, of course, extremely busy at that time, and people have other things on their mind.

I would love to use my few minutes to rant and rail against what I perceive to be the wickedness of this decision. That might be cathartic, but it would not be particularly illuminating. To me, this is about much more than the provision of postal services or of post offices in communities. It is about the communities themselves. Those who oppose the motion tabled in the name of my right hon. Friend the Member for Witney (Mr. Cameron) today will be demonstrating a complete lack of understanding of what makes a community, and of the complex web of relationships and interactions that are the fabric of those communities.

Later this year, the Sustainable Communities Act 2007 will come into force. I was proud to be a sponsor of that legislation. This is precisely the kind of issue that it was intended to address, and it had universal support across the House. It seems bizarre that the Government, knowing that the Act is about to come into force, cannot delay this process so that local communities can be empowered to make these decisions. That was precisely the purpose of the Act.

The closure programme fits into a pattern. I have bored the House at length on such matters in the past. In fact, my first faltering utterances in this place were about the loss of shops, churches, pubs—for which the Budget sounded another death knell last week—and sporting organisations. I spoke of how they had all been sucked out of smaller communities and moved into towns, and out of smaller towns into larger towns. Every community suffers as a result, as its life blood is sucked out.

We could shrug our shoulders and say, "Well, this is the way of things." That is very much what the Government have done. They have said that the internet has come in, that these post offices are not doing very well, and that that is just the way of things. Well, no. This is about vulnerable people, as has been pointed out by Members on both sides of the House. I have only to stand in the post office queue in Newbury—the queue is considerably longer following the suburban post office closure programme in 2005—to see just who those people are. They are the people who cannot buy online. They are the people who pay their soaring heating bills with hard-saved cash. In the Government's eyes, these people are inconvenient, because they will not conform. They will not go on the internet. They will not leap into a car and drive to the next town when their post office closes.

People who live in rural communities and have the temerity to need services—which are, of course, now more expensive and harder to deliver—are also considered inconvenient. I am sure that there are those not far from this building who would like rural communities simply to be places where people sleep, rather than places where real life takes place and where services need to be delivered.

I want to address the important issue of the access criteria. This has really frustrated me. The criteria have been calculated on an as-the-crow-flies basis. They do not take into account road networks or public transport facilities. The Government's need to hit their closure targets while also meeting the access criteria means that profitable post offices will close, simply because they are in the wrong location. I could take the Minister to post offices in my constituency that are not profitable but will survive. I will not do so, because they would probably then be zoned for closure as well. The lunacy of all this is that profitable post offices in my constituency are going to close. The access criteria, which involve drawing a straight line "as the crow flies", are utterly devoid of any understanding of how human beings really live and co-exist.

As we have heard, the consultation has been a sham. In our case, it has been a fig leaf for a decision that had clearly already been taken. In my last few seconds, I must ask the Minister to address the one-for-one issue. Some weeks ago, I heard him say in this Chamber—I have heard it again today—that the figure involved was up to 2,500. In this building, I had a briefing from the people who were processing the network change programme in my constituency. They said, "If you managed to save a post office in your constituency, that would be fantastic, but we would have to find another one."

Let me finish with a big plea for the bullying of postmasters and postmistresses in my constituency to stop. If they have put in a pay point, replacing the loss of a post office, they have done so for the vulnerable in the community. Nobody else but the most vulnerable is going to use it. They should not be threatened for doing that; the bullying must stop.

6 pm

Mr. Gordon Prentice (Pendle) (Lab): I shall be very brief, but I want it put on the record that I will vote for the Conservative motion this evening. I can see nothing wrong with it. I read it through two or three times in case I was missing something. I see nothing in it that my friends or colleagues on this side cannot vote for. I listened with interest, as I always do, to my friend from Morecambe and Lunesdale (Geraldine Smith), who spent 18 years working in the Post Office. She will be voting with the Conservatives. I am pleased to see my

[Mr. Gordon Prentice]

friend from Vauxhall (Kate Hoey), who chairs the all-party sub-post offices group and will also be voting with the Conservatives. There is no need for anyone on this side to feel at all frightened about the prospect of voting with the Conservatiyes. Let me explain that it is the only option left open to us. It is the only option we have left to stop or suspend the closure programme.

Let me tell you this, Mr. Deputy Speaker. I participated in a Westminster Hall debate with my Lancashire colleagues, including my friend from Morecambe and Lunesdale. In Lancashire, we face 59 closures and many of my friends spoke about that in the debate. I spoke, too. If I did not vote for the Conservative motion now, I could not look my constituents in the eye; I simply could not, because I railed against the closure programme in that debate. It is no good my colleagues, tucked away in Westminster Hall, speaking with great passion on 4 March only to fail to support the motion before us tonight. My own constituency is losing six post offices. Since I have been its Member of Parliament, we have lost 10. We started out with 28, so the post office network in my Pendle constituency will have been more than halved, which is unacceptable.

Now is not the time to slag off the Conservatives—[HON. MEMBERS: "Go on!"] I spend so much of my life doing that, I know, but this is not the time. Let me say this, however. The Conservatives would get more support from the Labour Benches if they were more open with us about the level of subsidy that they would put into the post office network. My friend on the Front Bench here has told us—he told us in Westminster Hall on 4 March as well—that only 4,000 post offices are commercially viable. We have a network of 14,000, which is going down to 11,500, so post offices will always need to be subsidised.

I believe that post offices are a social good. They are not just about selling people stamps. The network could not be recreated; if it were smashed, it could not be put together again. There are all sorts of exciting, innovative things we could do with a revivified post office network. Let me finish on this point. I hope that my friends swallow the prejudices of decades or whatever and do the right thing, which is to support the Conservative motion.

Mr. David Burrowes (Enfield, Southgate) (Con) *rose—*

Mr. Prentice: I give way to my friend over there.

Mr. Burrowes: In that context, will he invite all three Enfield MPs, who have been united in wanting to save the area's six post offices, to join together in the Conservative Lobby this evening?

Mr. Prentice: Anyone who is serious about trying to save the post offices in their constituency—whether it be in Enfield or anywhere else—has to vote in favour of the motion.

6.3 pm

Mr. David Heath (Somerton and Frome) (LD): We learned three weeks ago how many closures Somerset would face. The figures are very clear: in the present Somerset county council area, 30 will close, with another seven downgraded; in the historic county of Somerset, a further 18 will close, making a total of 55 closures across Somerset. Anyone who wants to know what villages are involved could find them in my early-day motion 1036.

I shall concentrate on the seven direct closures in my constituency—in Bayford, Bower Hinton, Holcombe, Keinton Mandeville, Kingsdon, Sparkford and Yeovilton—and two that will be replaced by a van service in Charlton Horethorne and North Cadbury. I feel that I have been fighting the same campaign for 20 or more years—in the House, previously as a county councillor or before that as someone involved in local community politics. It seems to me that we are seeing a constant reduction in the post office network.

I know that there were 3,500 closures under the Conservative Government, but I think that the main reason for that was neglect. Now it is happening by design: we are deliberately closing down large parts of the rural post office network. I hear Labour Members talk of the "stability" of the network. It is a strange sort of stability that closes 6,500 sub-post offices. At medical school I used to be told that there was a difference between stability and morbidity. What the Government are proposing is the stability of a corpse. Through a process of bullying and moving business away from post offices, they have created circumstances in which they can say that those post offices are not profitable and must be closed down. I thought that we had won the battle for rural post offices back in 2002. How wrong I was—that was only a temporary lull before the storm that we now face.

We know from what has happened so far that public opinion is not enough. We can collect all the signatures that we like. Four million people signed a petition against post office closures, but it did not mean a thing. We can organise local petitions—every parish council in my constituency signed a petition that I presented to the House—and they do not mean a thing. All our local petitions and letters do not mean a thing, because the Government have decreed that the closures will go ahead.

I do not think the Government understand why we fight so strongly for local post offices. There are all the social reasons which we have heard already today. We have heard about the people who do not have the comfortable option of getting into their second Volvo to drive to the next town because they do not have that second Volvo, or even the first, and could not drive it if they had it because they are elderly or infirm. Those people cannot find a substitute for the local post office. They do not want their money to be paid into a bank account, because they have never worked on the basis of a bank account. I think the yuppie Ministers have forgotten that there are people in this country who still budget on a week-by-week basis with cash in hand. That is the way those people want to stay, and they need their sub-post offices.

There is, for instance, the community aspect of post offices. The post office is the centre of many village communities, and in many instances it is all that we have left. It is not just postal services that are affected, but all the other activities that are centred on the post office, which is often the last shop in the village. I have been considering the effect of the planned closures in my

constituency. As a result of the closure in Bower Hinton, people will have to walk two to three miles to Martock, down a steep hill which they will have to climb up when they return. The post office is the last shop in Bower Hinton, so that is in danger as well. When those people arrive in Martock they will find a very successful little post office, but one with permanent queues which is unable to provide any further capacity. Where is the logic in that? Where, moreover, is the environmental logic? We are supposed to have a joined-up Government who take the environment seriously. Where is the environmental logic in people having to drive for miles to reach a post office?

Holcombe has sheltered housing directly opposite the post office, but apparently Post Office Ltd was not aware of it. The post office has always provided a prescription service for the local surgery, and that too will go. As for Kingsdon, I went to a public meeting there at 9 o'clock on Saturday morning. More than 100 people were there; practically everyone in the village had gone to make their point. They were irate, because one of the things that the Post Office had said in the letter it had sent was that there was an alternative in Yeovilton. There are two problems with that alternative. First, it is on the royal naval air station base. People could not get past the two large Marines with machine guns at the gates, but even if they could, Yeovilton is one of the other post offices that are due to close, so it is not a great alternative.

Charlton Horthorne and North Cadbury have been offered a van alternative. Vans are great—I would love to see mobile post offices dealing with many of the communities that have already lost their post offices—but the problem is that there is no commitment beyond three years, so we will lose our permanent post offices in return for the promise of a mobile service that may disappear.

We have six weeks in which to make all those points, and we have been told that we will not have a result at the end of that period because of local elections. As we are not due to have any local elections in Somerset, we understand perfectly well that this is another example of the Government trying to cover their backs.

The key issue is whether we regard post offices purely as commercial undertakings or as a public service. I regard them as a public service. When I hear people say that a particular post office has a small number of customers, I think that for those people it is an essential service, and it does not matter that they live in the country rather than, as would be convenient, in a big city. They should have access to the services that they need. When I am told that post offices have to make a profit, I wonder whether that will soon apply to our schools, roads and our military involvement in Basra. Must they make a profit, or else be closed down? Perhaps we should look at those post offices as a genuine people's post office. What an insult to run that campaign, when the post office is anything but the people's post office. It is the Minister's plaything, and it provides a profit for Post Office Ltd.

We do not ask for much in our rural areas, but we rely on our village hall, our village school, our village shop and our village post office. I do not think that is too much to ask, and we should keep those post offices open as a genuine people's post office and a service for the people of this country.

6.10 pm

Mr. David Jones (Clwyd, West) (Con): Given the limited time available, I shall refrain from criticising the illogicality and stupidity of the network change programme, because any credibility that it ever possessed has been comprehensively demolished by Members on both sides of the House.

I shall focus my attention on the impact that the programme is likely to have on my constituency. The closure programme for north Wales has not yet been announced, because of the politically motivated purdah imposed by the Post Office. It will be announced in July this year but, given the pattern that is evident across the country, post offices in my constituency will certainly close. I should like to draw the House's attention to circumstances in the southern part of my constituency, which largely consists of scattered villages. They may well fall within the three-mile limit of the rather silly access criteria in the programme, but as few people fly as the crow does, they are, in fact considerably further apart. I should like to use the village of Pentrefoelas as an example. Its post office will not necessarily close, but the post office in the village of Llanarmon yn Ial may well close, as may post offices in Llanfalteg, Llansanan, Llangernyw and any other village in the immediate vicinity.

Pentrefoelas is not untypical, and its post office is operated by Mr. Mark Tuck and Ms Sonia Taylor. It is a profitable business, and it is combined with the only shop in the village—it, too, is profitable—and a small guest house, which is also profitable. Unless those three profitable businesses are operated together, there is not sufficient business to maintain an income for the postmaster and his wife. Pentrefoelas is a village of 300 people, most of whom are elderly and many of whom do not have motor cars. The nearest village is Cerridgydrudion, which is about 6 miles away by road. If the closure programme hit Pentregoelas, the people who live there would be obliged to travel by road to Cerridgydrudion. The comments of some of the residents Pentrefoelas are telling. Miss Rita Davies, who is 79, said:

"The nearest post office from here is Cerridgydrudion, which is six miles away. I would have to get a community taxi, costing in the region of £5, as the bus service is not very good."

Mrs. Linda Bolger said:

"As a single parent with five children and no transport, I rely heavily on the post office to cash my giros, and the local shop for buying bread...The closure would affect me greatly."

Perhaps most tellingly, Mrs. Maureen Rice said that the closure of the post office

"would mean the end of village life."

In the past few years, rural communities in Wales have suffered a great deal as a result of the downturn in agriculture, most recently following foot and mouth disease. They have sustained school closures, and they have experienced rising fuel prices. In fact, over the past few years the stuffing has been knocked out of village life in rural Wales. The rural post office—in most cases, the only shop in the village—is the last bastion of rural life in many parts of Wales, but the residents of rural Wales now see it being removed. That will have an effect not only on the cohesion of communities, but on other things in Wales, too, such the culture and the

[Mr. David Jones]

Welsh language, which is very important. In those circumstances, I find it odd that the Government's amendment to the motion purports to recognise

"the vital social and economic role of post offices, in particular in rural and deprived urban communities"

because in my constituency it is precisely those communities that will suffer at the hands of this programme.

I am glad that some Labour Members will join the Conservatives in the Lobby this evening. It is evident that many more than those who have spoken in the debate support the general thrust of the motion; in fact, 35 have already signed early-day motion 997, and, as we know, several Ministers, including Cabinet Ministers, are lobbying actively for the retention of post offices in their constituencies.

This is probably the single most important issue I have experienced since I was first elected to this place. It has attracted more consternation, anxiety and worry than almost any other. I am glad that there are Labour Members of principle who will join us Conservatives in the Lobby this evening. I hope that many more do, and that the Post Office receives a signal from the House this evening that this sham programme is utterly unacceptable and that it is damaging to the social fabric of this country, and that the Post Office and the Government will have to think again.

Several hon. Members *rose—*

Madam Deputy Speaker (Sylvia Heal): As time is very limited, if Members limit their speeches to three minutes, more of them may be able to catch my eye.

6.17 pm

Mr. Mark Hendrick (Preston) (Lab/Co-op): I begin by referring to a letter from the hon. Member for Wealden (Charles Hendry). It was addressed to me, but at the top of the letter it says, "Dear Gordon". I think the hon. Gentleman must be confusing me with the Prime Minister. If I did not find it amusing to be sent such a ridiculous letter, I would find it offensive.

Many Members have talked about the impact of technology on the use of postal services—for example, people can now buy their road tax disc over the internet. However, I recently went to a post office in London to try to buy my television licence, and I was told that I had to go to a PayPoint. It is ridiculous that the Post Office is not still doing a deal with the television licence people so that we can get our licences at post offices.

I do not think any Members are in favour of post office closures, but what we are in favour of is the best use of resources and maximising the economic and social benefits for our constituents. I can therefore see that the many Members representing rural constituencies who have argued for the retention of post offices have a strong case. In urban areas such as mine, I can perhaps see a case for the closure of the odd post office. Some post offices in and around Preston might be unprofitable, but it might also be too far to the next one. In particular, I make reference to Deepdale Road and Acregate Lane post offices and Moor Nook post office on Pope lane; they are popular and used by many people, but not all of them are profitable. The Opposition motion refers to 2,500 post offices being outlined for closure. I do not think there is any case for closing that many, but there would be a case for closing some of them. I would not expect this process to result in the closure of every post office that has been earmarked, and I include among them my own in Preston.

Let me refer to another example of a petition, this one containing hundreds of names on the Manchester Road post office. I understand that there is a sign in its window saying, "Say no to closures". However, when my office rang that post office, its postmaster told us he does not want a campaign against closure. He is angry about people going round with a petition campaigning to keep his post office open, because he wants to take the £60,000 offered to close the post office in his property. There are two sides to the story. It is important that hon. Members value post offices and the services that they provide, but the case for no closures cannot be made.

6.20 pm

Angela Watkinson (Upminster) (Con): I shall be as brief as possible in order to allow colleagues to make some brief remarks. It was encouraging to hear that hon. Members in all parts of the House appreciate the importance of the branch network of the Post Office, given its social function as well as the Post Office functions. We seem to have complete consensus on that. Rather less encouraging has been the fact that the only vision that many, but by no means all, Labour Members seem to have for the future of the post office network lies in taxpayer subsidy. The whole point of the motion is to suspend the closure programme so that we can examine the possibility of providing additional business opportunities or additional functions for post offices, in order to expand what they are doing, rather than shrink them, as has been happening over the past few years.

In 2004, my constituency suffered three closures as a result of the absurdly named "urban reinvention programme". Somebody—I do not know who—was probably paid a large sum to think up that name, which actually translated as, "We're going to close your post offices." My constituency now faces another three closures. The customers who suffered because of one of the first closures were sent to one of the post offices that is in the second round of closures. The distance to walk is much too far, in particular for elderly people. They cannot possibly walk 1 mile on a hill and then have to walk 1 mile back again. For elderly people or for young mothers with buggies and toddlers such distances are simply too far. I have spoken to a lot of elderly people who miss the social aspect of going to the post office every week. They now have to rely on neighbours, friends and family to go to the post office for them because it is no longer accessible for them.

I should like to express my extreme disappointment in Postwatch. A week or so ago, London Members had a meeting with the Post Office—

Mr. Douglas Carswell (Harwich) (Con): Does my hon. Friend agree that there is a fundamental inconsistency in the Government's plans? On the one hand, they argue that more than 2,000 post offices need to close for what they claim are rational economic reasons, but on

the other hand, the decision about which post offices to shut is not made on the basis of whether the individual post office is itself viable. As a result, viable post offices, such as those at Walton-on-the-Naze and Kirby Cross in my constituency—I am sure that my hon. Friend's constituency contains similar examples—are being shut. Is that not totally inconsistent?

Angela Watkinson: My hon. Friend is right. I was expecting customer representation from Postwatch, but at the meeting to which I referred its representative set out the Government and the Post Office's plans and the reason for them. I began to think I was in the wrong meeting, because there was no pretence of representing the customer. Fortunately, I had another meeting to go to; otherwise it would have got quite heated. I do not know how much Postwatch costs—it is paid for by the taxpayer—but whatever it is, the money would be better spent on supporting the branch network.

The consultation has been mentioned, and I discussed that with Postwatch and, subsequently, the Post Office. Both of them admitted that the consultation was not about whether people wanted their post office to close, because one could anticipate 100 per cent. of people saying that they did not want their post office to close. Postwatch told me that the post offices would be closed even if there was a 100 per cent. response. The Post Office said that the consultation was being undertaken to tease out whether or not the right ones were being closed. There is a great misunderstanding among post office users about the meaning of the consultation. The consultation is a sham, people feel cheated and I have no confidence that the petitions I am raising will have any more influence that the ones that I raised during the urban reinvention programme.

6.24 pm

Mark Williams (Ceredigion) (LD): Of necessity, I shall be brief, as I have to address the issue of six potential post office closures in my constituency in just three minutes. We have 62 post offices, more than any other constituency in Wales, and I want to talk about the social effects of closure on local communities.

The irony is that, sitting in the post offices in Devil's Bridge and Pontrhydfendigaid are awards recognising the services given by the post offices to the local community, including services to the elderly and other businesses. They have also had a joint partnership with the Dyfed Powys police promoting the police force in what is a scattered community. The timing of this closure programme flies in the face of the Sustainable Communities Act 2007, which should empower local people to make decisions on their own post offices and to reflect on the services that they need. The timing is also against the National Assembly's re-enactment of a post office development fund, which will come into effect next year, after the post offices have gone. Commendable efforts have been made by county councils in England, such as Essex, and they warrant consideration.

I am especially concerned about those businesses in which a post office and a shop operate together, such as in Talybont, Devil's Bridge, Llanfarian, Llangeitho, Llanddewi Brefi, Talgarreg and Pontsian. As the hon. Member for Clwyd, West (Mr. Jones) said, once the post office or shop goes, the heart of the community is taken away. The village hall, the pub and the garage have probably already gone, and little is left. It is an issue of social cohesion.

My constituents have no alternatives. I look at the criteria and I am told that 95 per cent. of people live within three miles of an alternative. I had an e-mail from a constituent today whose nearest alternative will be a round trip of 15 miles, if she wishes to access basic core post office services.

We hear a lot about urban deprivation, but the rural deprivation factor has not been taken into account. West Wales and the valleys are a convergence funding area for good reason. Large tracts of Ceredigion are also Communities First regions, comparable with any other deprived area in the country. We face three closures in those areas.

We have heard about outreach. My hon. Friend the Member for Somerton and Frome (Mr. Heath) talked about the three-year limit on the provision of services, but we are losing three outreach post vans. They were a sop to the community three years ago, but we are now losing them.

Greg Mulholland: My hon. Friend mentions several good reasons. The Far Headingley post office in my constituency is another profitable post office that will close. Services such as outreach have not been taken into account, and nor has the effect on local businesses that will also suffer. It is absurd that we are closing profitable businesses and failing to consider the effect on the community.

Mark Williams: My hon. Friend is right. In Ceredigion, we have the largest proportion of small businesses of anywhere in Wales, and they rely on the services of the post offices, including the expanded service that hon. Members have mentioned. It is also important to note the lack of public transport. It simply is not an option in large tracts of rural Wales, as well as much of England. Some 11 per cent. of rural households have no access to a car.

The most dispiriting aspect of the debate—and I have been here since the start—is the sham consultation. Tomorrow night, in the community of Talybont, there will be a huge public meeting. I have started petitions and had meetings with the Post Office. I have been told that there is no domino effect and that if we save one, another will be closed. The most dispiriting aspect is that I will be collecting signatures and talking to managers, and the signatures and the words will fall on deaf ears. That is why the motion is important, and why a moratorium is critically important. That is why we have to continue to make the case. It is just like Beeching: in 30 years' time, people will be asking how we allowed this to happen.

6.28 pm

Sir Peter Soulsby (Leicester, South) (Lab): It may be that the Conservative motion is opportunistic and cynical, but I happen to agree with every word of it. In my constituency, the consultation on the closure of two post offices in Walnut street and Francis street—I do not have time to go into details of the devastation that would be caused by those closures—was a sham. Postwatch was dreadful, and the Post Office itself was appallingly

[Sir Peter Soulsby]

ill informed about the post offices and the likely effects of closure. They made no serious attempt to engage in any meaningful dialogue with those who were to be affected. As a consequence, all involved felt entirely frustrated by the process. In my constituency, it came on top of the closure of a Crown post office that has been moved into the basement of a local newsagent. That has compounded the difficulty for those who want to use those vital services.

I will support the Conservative motion. I will not be able to support the Government amendment. The amendment calls for

"a viable and sustainable network for the future"

but means, in effect, further closures that could be avoided at remarkably little additional cost. It could save those post offices, which are undoubtedly vital community services in urban areas as much as they are in rural areas.

6.30 pm

Charles Hendry (Wealden) (Con): It is a great pleasure to follow the hon. Member for Leicester, South (Sir Peter Soulsby), who gave the shortest and probably the best speech of the entire debate.

This has been an important, well attended and articulately argued debate. It is of great interest that not one person stood up to defend the closure programme and how it is proceeding. Some Labour Members stood up and told us that things are going badly wrong in their constituencies but then said, "Let's just keep on doing it." Indeed, the hon. Member for Reading, West (Martin Salter)—I am glad to see him back in the Chamber—spent the second half of his speech telling us how badly things were going, having spent the first half condemning us for saying that there should be a suspension on those grounds. As the hon. Member for Pendle (Mr. Prentice) said, this is the last chance. There are no options left for trying to stop this misguided closure programme.

We all agree on the crucial role of the post office and its vital role in communities up and down the country. My hon. Friend the Member for South-East Cambridgeshire (Mr. Paice) spoke about the particularly important role that it plays in so many rural communities. My hon. Friend the Member for Uxbridge (Mr. Randall) said that the issue was causing as much concern now as any that he can remember. He spoke, he said, as a retailer of 120 years' experience. I had not realised that he was as old as that. I knew that he was wise, but that puts it in perspective.

It is right that we should use this occasion to pay tribute to sub-postmasters and mistresses up and down the country. They serve their communities with tremendous dedication and work hard for long hours. They serve those communities well and they want it to be recognised that they do not just run businesses. They are part of the social fabric of their communities, too.

Only two things have been missing in the debate. First, no voices have been raised in support of the closure programme. Secondly, we have not heard those Labour MPs who have been so eloquent in their local newspapers and on their websites but did not come to repeat those words today.

The motion does not suggest that we do not need change. Of course we need change. We recognise that. The post office network needs to move on to reflect the way that people live their lives. The motion is also not about an absolute solution for the post office network. That is a serious long-term issue, which will take a long time to sort out. The motion recognises that the closure programme is failing, that it is opposed by almost every Member of Parliament in their constituencies and by almost every national newspaper. If it is not suspended, it will result in massive, permanent, unnecessary damage to our communities.

I pay tribute to the hon. Members for Morecambe and Lunesdale (Geraldine Smith), for Vauxhall (Kate Hoey), for Nottingham, South (Alan Simpson), for Pendle and for Leicester, South. They have said that they will vote with us tonight. That is not an easy decision, and I recognise that. It is undoubtedly the right decision, however.

Let me make a couple of other points absolutely clear, too, particularly in response to the comments made by the Secretary of State. We are committed to putting £1.7 billion into the post office network over the next three years. We have said that we will honour the Government's spending commitments when we come into government. That is part of the process. We would expect the amount to be less if more post offices can be kept open, because part of that figure includes the compensation package. We are also committed to spending £150 million a year on the continuing subsidy, although the central point of our approach is that we should allow the post offices to develop new businesses and new income streams, so that the £150 million can be used to keep more post offices open.

The Secretary of State made many points. If he were really convincing about his closure programme, though, I wonder why it is that half of his Cabinet colleagues are openly campaigning against it. He talked about what happened under the Conservatives, when 3,000 post offices were closed in 18 years. That compares with the 6,000 that have been closed in just over 10 years of this Labour Government—a rate of closure that is three times as high as previously.

However, the fundamental difference is that the closures under the previous Conservative Government were voluntary, whereas the current ones are enforced. People are having their businesses taken away from them, and they have no choice and no way to stop the process.

The Secretary of State also said, rather proudly, that there was no subsidy for post offices when the Conservatives were in government, but the figures are clear. In the last few years of our time in office, the Post Office made a profit of between £22 million and £35 million a year. It did not start losing money until 2000, when this Government had had the chance to interfere for a bit. Since then, it has been losing £50 million, £100 million and nearly £200 million a year. The Government do not recognise the difference between the conditions that prevailed when we were in power and those that obtain today.

The Secretary of State also said that there are no constraints on the businesses that post offices can carry out, but he should come with me and talk to sub-postmasters. They want to offer PayPoint but have been told that they cannot. They want to work with carriers

other than Royal Mail—for example, FedEx, UPS and others—but they have been told that they are not allowed to. Moreover, they must face the problem that Royal Mail will go to their biggest customers and persuade them into direct deals that cut post offices out by undercutting the stamp price that those offices are allowed to charge.

The Secretary of State missed the fundamental point about the constraints being placed on future business, about which so many colleagues spoke in the debate. It is bad enough for people to have their post office taken away, but it is obscene for the Government to put in place measures that will serve to close down the whole shop as well. To tell postmasters and postmistresses that they may no longer operate the national lottery, operate PayPoint terminals or offer the facilities that they have spent years understanding is to do massive damage to the communities that they serve.

It is one thing for the Post Office to say that people may no longer buy a stamp from a shop, but to say that they will no longer be able to buy their bread and milk there is to go way beyond its powers. In addition, many of the services offered by post offices will simply be moved to the shop next door, if there is one. That means that people will not migrate naturally from the post office that has closed to the one a few miles away; instead, they will simply go to the shop next door.

Also discussed were the talks about the one-for-one issue, and the implications of that approach. Perhaps the Secretary of State should look at those figures as well. So far, 671 closures have been announced in those areas where the consultation process has been completed. As a result of what has gone on, 26 offices have been reprieved, and 19 replaced by other post offices being added to the closure list. So seven out of nearly 700 post offices have genuinely been reprieved. Earlier today, the Prime Minister said that that proportion was about 10 per cent. of the total, although I think that it is about 1 per cent. However, if he makes it 10 per cent., maybe that explains why the economy is in such a mess.

Many hon. Members have spoken of their concerns about the consultation process. The hon. Member for Birmingham, Northfield (Richard Burden) said that six weeks might be appropriate for a matter that was not controversial but that it was otherwise too short a period. My hon. Friends the Members for Wimbledon (Stephen Hammond) and for East Worthing and Shoreham (Tim Loughton) spoke about the factual errors that had been made, and the hon. Member for Brigg and Goole (Mr. Cawsey) mentioned the people who wanted to close their post offices but who were not being allowed to do so. My hon. Friend the Member for Isle of Wight (Mr. Turner)—it is a great pleasure to see him speaking in this Chamber again—spoke for many when he said that there was a great sense that the decisions had already been made.

Excellent contributions were also made by my hon. Friends the Members for Bognor Regis and Littlehampton (Mr. Gibb), for Cotswold (Mr. Clifton-Brown), for Clwyd, West (Mr. Jones) and for Upminster (Angela Watkinson)—although I suspect that the way that my hon. Friend the Member for Clwyd, West reeled off the names of his villages was a nightmare for the *Official Report*.

Other hon. Members also contributed to the debate through their comments on their websites and elsewhere. For example, the hon. Member for Ilford, South (Mike Gapes) says on his site:

"There are no direct bus routes to either of the alternative branches".

He states that one of them is

"on a red route! Your decision concerning Meads Lane is in my opinion driven by short term cost cutting dogma."

The hon. Member for Hampstead and Highgate (Glenda Jackson) intervened in the debate and told us why she would not vote for our motion, but on her website she says:

"We really believe that these closures will affect the most vulnerable people in our community, particularly those who are elderly, disabled or those with young children."

However, she will not vote with us to stop that happening. The hon. Member for Broxtowe (Dr. Palmer), a Parliamentary Private Secretary in the Department for Business, Enterprise and Regulatory Reform, said:

"We shall oppose this as we believe the local Post Office is an essential part of any community."

The Under-Secretary of State for Innovation, Universities and Skills, the hon. Member for Tottenham (Mr. Lammy)—a Government Minister—said:

"I hardly think that six weeks is long enough to have a meaningful dialogue with the community about these changes."

Perhaps most deliciously of all, the hon. Member for Grantham and Stamford (Mr. Davies), who in other days would have been supporting us, said in the *Grantham Journal*:

"this week, the Post Office broke new ground among public bodies in demonstrating either complete internal confusion or deliberate public two-facedness."

If anybody would recognise two-facedness, it is he.

When we put our points about the consultation process to the Minister, he said, "It's Cabinet Office rules; we've got to stick to them," but that same Minister decided to disregard those rules, which said that a consultation process should last 12 weeks, rather than 6 weeks, so one thing applies in the run-up to local elections and another during the consultation process. It is little wonder that the many people in our constituencies who have gone to public meetings on wet, dark wintry nights, who have signed petitions, who have written letters, who have gone on marches, and who have done everything that they can to preserve the facility that they care about, feel let down by the process.

There has been a lot of debate about the access criteria. My hon. Friend the Member for South-East Cambridgeshire talked about the fact that the distance as the crow flies does not reflect the true distance. My hon. Friend the Member for Leominster (Bill Wiggin) and the hon. Member for Brigg and Goole talked about bus routes, and how the buses do not go in the right direction, meaning that a journey takes much longer than would have been the case. Again, Labour Members have argued the point on their websites and in their local newspapers. Not all of them have been so assiduous, however; on his website, the Chancellor of the Duchy of Lancaster said of his local post office closures:

"Member's of Ed's staff visited the Postmaster at Adwick on Ed's behalf".

[Charles Hendry]

Well, I bet they got the bunting out for that one. How privileged local people must have felt that their Member of Parliament was taking the issue so seriously. The Minister of State, Department for Work and Pensions, the right hon. Member for East Ham (Mr. Timms), formerly Minister with responsibility for small business, said it was important to pick

"the right one and not the wrong ones".

My goodness, one can see why he was made a Minister, and perhaps why he was moved on.

The problem with the access criteria is that they are fundamentally flawed. It is simply a matter of somebody at a computer deciding, as a matter of geography, which post offices should close and which stay open. They have failed to take account of major new housing developments and, worse still, they have not paid sufficient attention to hills, public transport links or unsafe roads. It will therefore be vulnerable people, older people and people with disabilities who suffer most. They are the people who depend most on their local post offices, and who will lose out most when the changes are made.

Let us be in no doubt: this is not the Post Office's policy. This is the Government's closure programme, because they decided how many post offices should close. They decided what the funding package and access criteria should be, and they decided which rules apply to the businesses that many people may continue once their post office has closed down. The Government can, if they wish, tonight instruct the Post Office to stop the programme.

We want a Post Office fit for the challenges of the 21st century, a Post Office not stuck in the past but able to take full advantage of the business opportunities present today. We welcome change, but we have a vision for the post office network; it should be sustained by new business, freed from the restrictions that tie it down today, and increasingly become a hub for local council and government services. However, that is not what the change programme is delivering; it is dismantling an important, much-loved service. We do not object to change, but we do object to the change that the Government are proposing, the flawed access criteria, the shortened consultation process, the lack of vision for future business and the appalling restrictions on future business activity.

At the end of the day, what people say on their websites and press releases will not save a single post office. If Labour Members of Parliament genuinely want to save their post offices, they have one chance, and that is to vote with us today.

This comes down to a question of trust. If we want people to have faith in their politicians, they must believe that politicians will not say one thing in their constituency on behalf of their communities, and vote against those words in the House of Commons. Constituents will not understand how MPs told them that they were on their side, but when they had the chance to vote against closures, they failed to do so. MPs will have failed their constituents, and they will have failed to live up to the standards that people should rightly expect of their Member of Parliament. Worse still, they will have turned their back on the elderly and others who are most in need. That betrayal of the most vulnerable people in their constituency will haunt them for the rest of their career.

6.45 pm

The Minister for Employment Relations and Postal Affairs (Mr. Pat McFadden): We have seen from the debate today the strong feelings that post office closures can arouse not only in the House, but in local communities. I understand that, as do the Government. That is why the Government support the post office network with such significant investment, and why we have done so over many years.

There is the subsidy of £150 million a year, without which thousands more post offices would be under threat. There is other support in the package of £1.7 billion up till 2011—support to cover losses over and above those that the subsidy covers, support to enable new outreach services to provide post office services in new ways, and other support that adds up to significant backing for the Post Office up to 2011. That was acknowledged by some in the debate, including my hon. Friend the Member for Hastings and Rye (Michael Jabez Foster).

The reason why we do that, as the Secretary of State said in his opening speech, is that we do not see the Post Office as a purely commercial concern. We appreciate its social and community role. Without the backing that the Government give to the Post Office, which was not there when the Conservatives were in power, a commercial network would consist of only about 4,000 branches. So when the hon. Member for Somerton and Frome (Mr. Heath) says that it is not just a commercial service, we agree. That is why we have put so much public backing behind it.

Even with the high level of subsidy, because of the decline in custom and the level of losses, some offices are having to close. I understand that that is unpopular, but sometimes government is about taking difficult decisions.

Mr. Greg Hands (Hammersmith and Fulham) (Con): The Minister visited a post office in my constituency last week which is housed by WH Smith in Kings mall, but is he aware that the other WH Smith housing a post office in my constituency was threatened with closure the very same week that it opened, owing to a planning application to demolish the building? Does he further think it is acceptable that the whole of London W14—

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. Just one point at a time.

Mr. McFadden: I visited the post office in WH Smith and spoke to customers there. That post office is operating well.

It is understandable that some people wish that the closures did not have to happen, but we are mindful of the amount of funding that taxpayers can put in to support a service that is facing profound change in terms of technology, how people live their lives and pay their bills, and competition.

Those issues used to matter to the Opposition, but faced with a difficult decision, what have they chosen to do? They have chosen to try to make it go away. They have chosen to say that the closure programme should stop. Thousands of post offices closed while they were in power. The sub-postmasters never got a penny in compensation. Today the Opposition have chosen to try to make the problem go away.

Miss Anne McIntosh (Vale of York) (Con): Will the Minister tell me how many villages in the Vale of York will be more than 3 miles away by car from the nearest post office?

Mr. McFadden: I shall come to the access criteria later.

Funding is a critical weakness of the Opposition motion. We have seen three different positions on funding in the debate. In his opening speech, the hon. Member for Rutland and Melton (Alan Duncan) was not clear at all that the Conservative party was committed to matching our funding. The hon. Member for Wealden (Charles Hendry) said that the party was clear on that, but if the motion goes through tonight the Conservatives will have to not only match our funding, but increase it. There have been three different positions on funding in one debate; that is the critical credibility problem with the motion.

Simon Hughes: Will the Minister give way?

Mr. McFadden: I will not for the moment.

The divide is about whether we support the Government's investments or whether, like the Conservative party, we are utterly incoherent on financial support for the Post Office. The decision to close any post office is, of course, unpopular; worse, however, is the knowledge that when the Conservative party faces a problem, it simply asks for it to stop with an utterly incoherent financial position.

Anne Snelgrove: I have been listening to the debate today with great interest. Will the Minister tell me how voting for the Conservative motion would save a single sub-post office in this country?

Mr. McFadden: My hon. Friend asks a good question. Voting for the motion will not save post offices because the Conservative party has acknowledged that post offices have to close. All the motion would do is delay the decision, put sub-postmasters under further uncertainty, and then, the Conservatives have said, the closures would have to continue.

Let us consider some of the challenges that the Post Office is facing. Every day it is open for business, it loses £500,000. It has lost 4 million weekly customers in the past few years. Some of the least used post offices are subsidised at up to £17 per transaction.

Mr. James Gray (North Wiltshire) (Con): The Minister says that some post offices cost £17 per transaction. Perhaps he could do what Allan Leighton could not do during a recent conversation with the sub-postmistress of Yatton Keynell in my constituency. When she asked him how many post offices made a profit, he said, "I don't know—I'm just waiting for my bonus when I give up my job at the end of my time." Will the Minister tell us how many post offices make a profit? Why is he closing them too?

Mr. McFadden: If the hon. Gentleman had been listening, he would have heard me say that the commercial network is made up of about 4,000 post offices.

Alan Duncan: In the process of deciding which post offices should close, what is the principal criterion—profitability or access?

Mr. McFadden: The thing driving the closures is, of course, the loss of custom and money. That is what is behind the need to rationalise the network.

Eight out of 10 pensioners now choose to have their benefit paid directly into the bank; among new retirees, the figure is nine out of 10.

Dr. William McCrea (South Antrim) (DUP): Will the Minister give way?

Mr. McFadden: I am afraid that I want to make progress.

People have a choice about how to pay their car tax, and 1 million a month choose to renew it online—half of them outside the normal office hours of 9 to 5. More people are paying bills by direct debit and there is, of course, the issue of competition. My hon. Friend the Member for Brigg and Goole (Mr. Cawsey) made a serious speech about competition and its challenge to the Post Office. Unlike Conservative Members, he realises that that is a big challenge when it comes to winning business such as bill and television licence payment.

Mr. Oliver Heald (North-East Hertfordshire) (Con): Will the Minister give way?

Mr. McFadden: I want to make progress. [Hon. Members: "Give way!"] I have given way a few times, and I would like to make progress.

The Opposition say that they want to make the issue go away. The issue is not just about the profitability of the post offices, but about what the Opposition would do about how benefits are paid. Are they really saying that they will turn back the clock and pay benefits and pensions by girocheque when the vast majority of people choose to pay them directly into the bank? Doing that would add a further £200 million of costs a year. If they are not saying that, why do they not accept that the Post Office faces those major challenges?

Let me turn to some of the specifics raised in the debate.

Mr. Nigel Evans (Ribble Valley) (Con): Will the Minister give way?

Mr. McFadden: I am afraid that I want to make progress.

Many Members raised the issue of consultation, including my hon. Friends the Members for Birmingham, Northfield (Richard Burden) and for Brigg and Goole, the hon. Member for Isle of Wight (Mr. Turner), and my hon. Friends the Members for Barnsley, West and Penistone (Mr. Clapham) and Hastings and Rye. I acknowledge that there has been dissatisfaction and disquiet about the consultation process. Representations have been made that we should extend it from six weeks to 12, but six weeks was the period used during the last period of post office closures and is the period agreed between Postwatch and Post Office Ltd in their code of practice—*[Interruption.]*

Mr. Deputy Speaker: Order. I am sorry to interrupt the Minister, but there is too much noise in the House. We have had a full debate and the Minister is entitled to make a reply that can be heard.

Mr. McFadden: Thank you, Mr. Deputy Speaker.

Many hon. Members talked about the consultation, which is about how, not whether, this is to be done. The Select Committee on Business, Enterprise and Regulatory Reform picked up on that in its most recent report, and it was right to do so. Post Office Ltd must be clearer that that is the question before the people, because that is what is producing some of the frustration in local communities. Hon. Members have expressed confusion about this. Let me quote the letter that was sent to all hon. Members back in July, before the process began. It said that the consultation

"would not concern the principle of the need for change of the network, nor its broad extent and distribution...rather consultation will be seeking representations on the most effective way in which government policy can best be implemented in the area in question".

Simon Hughes: Given that the Minister will not change his policy on delaying consultation, will he at least instruct the Post Office to ensure that it gives all the information to Members of Parliament so that the individual merits of every post office can be in the public domain and we can win an argument on the basis of the facts?

Mr. McFadden: As I have said, the Post Office needs to be clearer about the consultation and about the question before people.

My hon. Friend the Member for Barnsley, West and Penistone and the hon. Members for Newbury (Mr. Benyon) and for Clwyd, West (Mr. Jones), among others, mentioned the access criteria. Let me be clear. Those criteria represent a minimum, and Government funding is to fund the network to a much higher extent than that minimum would require. In plans so far—

Dr. McCrea *rose—*

Mr. McFadden: I am afraid that I do not have time to give way again.

To give some sense of perspective, let me say that 99 per cent. of people will either see no change in the post office that they use or be within a mile of an alternative post office. If we followed the advice of Conservative Members by abandoning the access criteria and closing only the post offices that are least used, vast areas of rural Britain would be without post office provision at all, and those are precisely the areas that hon. Members say that they are interested in.

Some local authorities, for example in Essex—not in Swindon, unfortunately, despite the efforts of the local MPs—have expressed interest in taking over post offices scheduled for closure. We have said that the Post Office should sit down and discuss that seriously with those local authorities. My right hon. Friend the Secretary of State has written to the chief executive of Post Office Ltd today saying that that should happen, and if local authorities are interested they should have those discussions. The Post Office will expect to recover all costs, but that is a serious conversation that should take place.

On commercial freedom, let me quote the general secretary of the National Federation of SubPostmasters, who said

"why would the government want to use taxpayers money to give someone compensation for something that they are continuing to do".

They do not lose all compensation. An adjustment is made—

Mr. Andrew Robathan (Blaby) (Con) *rose in his place and claimed to move,* That the Question be now put.

Question, That the Question be now put, *put and agreed to.*

Question, put, That the original words stand part of the Question:—

The House divided: Ayes 268, Noes 288.

Division No. 131] **[6.59 pm**

AYES

Abbott, Ms Diane
Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Bacon, Mr. Richard
Baker, Norman
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Bercow, John
Beresford, Sir Paul
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Brady, Mr. Graham
Brake, Tom
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Brooke, Annette
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Campbell, Mr. Gregory
Campbell, rh Sir Menzies
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clegg, rh Mr. Nick
Clifton-Brown, Mr. Geoffrey
Corbyn, Jeremy
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Cummings, John
Curry, rh Mr. David
Davey, Mr. Edward
Davies, Mr. Dai
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davis, rh David *(Haltemprice and Howden)*
Dismore, Mr. Andrew
Djanogly, Mr. Jonathan
Dodds, Mr. Nigel
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Drew, Mr. David
Duddridge, James
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Farron, Tim
Featherstone, Lynne
Field, rh Mr. Frank
Field, Mr. Mark
Flynn, Paul
Foster, Mr. Don
Fox, Dr. Liam
Francois, Mr. Mark
Fraser, Christopher
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gidley, Sandra
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Grogan, Mr. John
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike

Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hoey, Kate
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Holmes, Paul
Hopkins, Kelvin
Horam, Mr. John
Horwood, Martin
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Jones, Mr. David
Kawczynski, Daniel
Keetch, Mr. Paul
Kennedy, rh Mr. Charles
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Laing, Mrs. Eleanor
Lait, Mrs. Jacqui
Lamb, Norman
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Llwyd, Mr. Elfyn
Loughton, Tim
Mackay, rh Mr. Andrew
Maclean, rh David
MacNeil, Mr. Angus
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Martlew, Mr. Eric
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McCrea, Dr. William
McDonnell, John
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Meale, Mr. Alan
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moore, Mr. Michael
Moss, Mr. Malcolm
Mulholland, Greg
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Osborne, Mr. George
Ottaway, Richard
Paice, Mr. James
Penning, Mike
Penrose, John
Pickles, Mr. Eric
Prentice, Mr. Gordon
Price, Adam
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Angus
Robertson, Hugh
Robertson, Mr. Laurence
Rogerson, Dan
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, Alan
Simpson, David
Simpson, Mr. Keith
Smith, Geraldine
Smith, Sir Robert
Soames, Mr. Nicholas
Soulsby, Sir Peter
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Steen, Mr. Anthony
Streeter, Mr. Gary
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, David
Taylor, Mr. Ian
Taylor, Matthew
Taylor, Dr. Richard
Teather, Sarah
Thurso, John
Tredinnick, David
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Walter, Mr. Robert
Wareing, Mr. Robert N.
Waterson, Mr. Nigel
Watkinson, Angela
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Williams, Mark
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilshire, Mr. David
Wilson, Mr. Rob
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Wood, Mike
Wright, Jeremy
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Ayes:
Mr. Crispin Blunt and Mr. Richard Benyon

NOES

Ainger, Nick
Ainsworth, rh Mr. Bob
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Austin, John
Baird, Vera
Balls, rh Ed
Banks, Gordon
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, rh Mr. Gordon
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Cook, Frank
Cooper, Rosie
Cooper, rh Yvette
Cousins, Jim
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cunningham, Mr. Jim
Cunningham, Tony
Darling, rh Mr. Alistair
Davidson, Mr. Ian
Davies, Mr. Quentin
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Engel, Natascha
Ennis, Jeff
Etherington, Bill
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, rh Caroline
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, rh Mr. Bruce
Gibson, Dr. Ian
Gilroy, Linda
Goggins, Paul
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Gwynne, Andrew
Hain, rh Mr. Peter

Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hood, Mr. Jim
Hoon, rh Mr. Geoffrey
Hope, Phil
Howarth, rh Mr. George
Howells, Dr. Kim
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Illsley, Mr. Eric
Irranca-Davies, Huw
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
McAvoy, rh Mr. Thomas
McCafferty, Chris
McCarthy-Fry, Sarah
McDonagh, Siobhain
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, rh Mr. Tony
Meacher, rh Mr. Michael
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh Edward
Miller, Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Moran, Margaret
Morden, Jessica
Morley, rh Mr. Elliot
Mountford, Kali
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Osborne, Sandra
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Bridget
Prescott, rh Mr. John
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, rh James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, rh Joan
Salter, Martin
Sarwar, Mr. Mohammad
Seabeck, Alison
Sharma, Mr. Virendra
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, rh Jacqui
Snelgrove, Anne
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr. Gerry
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Trickett, Jon
Turner, Dr. Desmond
Twigg, Derek
Vaz, rh Keith
Walley, Joan
Waltho, Lynda
Ward, Claire
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Wilson, Phil
Winnick, Mr. David
Winterton, rh Ms Rosie
Woolas, Mr. Phil
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Noes:
Steve McCabe and Mr. Wayne David

Question accordingly negatived.

Question, That the proposed words be there added, *put forthwith, pursuant to Standing Order No. 31 (Questions on amendments):—*

The House divided: Ayes 290, Noes 251.

Division No. 132] **[7.14 pm**

AYES

Ainger, Nick
Ainsworth, rh Mr. Bob
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Austin, John
Baird, Vera
Balls, rh Ed
Banks, Gordon
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, rh Mr. Gordon
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Cook, Frank
Cooper, Rosie
Cooper, rh Yvette
Cousins, Jim
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Darling, rh Mr. Alistair
Davidson, Mr. Ian
Davies, Mr. Quentin
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit

Dismore, Mr. Andrew
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Engel, Natascha
Ennis, Jeff
Etherington, Bill
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, rh Caroline
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
George, rh Mr. Bruce
Gibson, Dr. Ian
Gilroy, Linda
Goggins, Paul
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hamilton, Mr. Fabian
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hood, Mr. Jim
Hoon, rh Mr. Geoffrey
Hope, Phil
Howarth, rh Mr. George
Howells, Dr. Kim
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Illsley, Mr. Eric
Irranca-Davies, Huw
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Keen, Ann
Kelly, rh Ruth
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
McAvoy, rh Mr. Thomas
McCafferty, Chris
McCarthy-Fry, Sarah
McDonagh, Siobhain
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, rh Mr. Tony
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh Edward
Miller, Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Moran, Margaret
Morden, Jessica
Morgan, Julie
Morley, rh Mr. Elliot
Mountford, Kali
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Osborne, Sandra
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pope, Mr. Greg
Pound, Stephen
Prentice, Bridget
Prescott, rh Mr. John
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, rh James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, rh Joan
Salter, Martin
Sarwar, Mr. Mohammad
Seabeck, Alison
Sharma, Mr. Virendra
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, rh Jacqui
Snelgrove, Anne
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stuart, Ms Gisela
Sutcliffe, Mr. Gerry
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Trickett, Jon
Turner, Dr. Desmond
Twigg, Derek
Vaz, rh Keith
Walley, Joan
Waltho, Lynda
Ward, Claire
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Wilson, Phil
Winnick, Mr. David
Winterton, rh Ms Rosie
Woolas, Mr. Phil
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony
Wyatt, Derek

Tellers for the Ayes:
Steve McCabe and Mr. Wayne David

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Bacon, Mr. Richard
Baker, Norman
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Bercow, John
Beresford, Sir Paul
Bone, Mr. Peter
Bottomley, Peter
Brady, Mr. Graham
Brake, Tom
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Brooke, Annette
Browne, Mr. Jeremy
Browning, Angela
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Campbell, Mr. Gregory
Campbell, rh Sir Menzies
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clegg, rh Mr. Nick
Clifton-Brown, Mr. Geoffrey
Corbyn, Jeremy
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Davey, Mr. Edward
Davies, Mr. Dai
Davies, David T.C. *(Monmouth)*
Davies, Philip
Davis, rh David *(Haltemprice and Howden)*
Djanogly, Mr. Jonathan
Dodds, Mr. Nigel
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Drew, Mr. David
Duncan, Alan
Duncan Smith, rh Mr. Iain
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Farron, Tim
Featherstone, Lynne

Field, Mr. Mark
Foster, Mr. Don
Fox, Dr. Liam
Francois, Mr. Mark
Fraser, Christopher
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gidley, Sandra
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holloway, Mr. Adam
Holmes, Paul
Hopkins, Kelvin
Horam, Mr. John
Horwood, Martin
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Huhne, Chris
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Jones, Mr. David
Kawczynski, Daniel
Keetch, Mr. Paul
Kennedy, rh Mr. Charles
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Laing, Mrs. Eleanor
Lait, Mrs. Jacqui
Lamb, Norman
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Llwyd, Mr. Elfyn
Loughton, Tim
Mackay, rh Mr. Andrew
Maclean, rh David
MacNeil, Mr. Angus
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McCrea, Dr. William
McDonnell, John
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Meale, Mr. Alan
Mercer, Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Moore, Mr. Michael
Moss, Mr. Malcolm
Mulholland, Greg
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Osborne, Mr. George
Ottaway, Richard
Paice, Mr. James
Penning, Mike
Penrose, John
Pickles, Mr. Eric
Prentice, Mr. Gordon
Price, Adam
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Angus
Robertson, Hugh
Robertson, Mr. Laurence
Rogerson, Dan
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, Alan
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Soulsby, Sir Peter
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Steen, Mr. Anthony
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, David
Taylor, Mr. Ian
Taylor, Matthew
Taylor, Dr. Richard
Teather, Sarah
Thurso, John
Tredinnick, David
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Walter, Mr. Robert
Wareing, Mr. Robert N.
Waterson, Mr. Nigel
Watkinson, Angela
Webb, Steve
Weir, Mr. Mike
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Williams, Mark
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilshire, Mr. David
Wilson, Mr. Rob
Winterton, Ann
Winterton, Sir Nicholas
Wishart, Pete
Wright, Jeremy
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Noes:
Mr. Crispin Blunt and
Mr. Richard Benyon

Question accordingly agreed to.

MR. DEPUTY SPEAKER *forthwith declared the main Question, as amended, to be agreed to.*

Resolved,

That this House recognises the vital social and economic role of post offices, in particular in rural and deprived urban communities; notes the decline in post office customer numbers in recent years and the financial losses of £174 million incurred by the network in 2007; further recognises the effect of changes such as direct debit facilities and increased use of the internet for payment and communication; commends the Government's action to support the post office network with investment of up to £1.7 billion up until 2011, including an annual subsidy of £150 million; further notes that this subsidy did not exist under the last government and that without it thousands more post offices would be under threat; and urges the Government to continue working with Post Office Limited to ensure a viable and sustainable network for the future.

DELEGATED LEGISLATION

Mr. Deputy Speaker: With the leave of the House I shall put motions 3 to 5 together

Motion made, and Question put forthwith, pursuantto Standing Order No. 118(6) (Delegated Legislation Committees),

CONSTITUTIONAL LAW

That the draft National Assembly for Wales (Legislative Competence) (Education and Training) Order 2008, which was laid before this House on 6th February, be approved.

FEES AND CHARGES

That the draft Department for Transport (Driver Licensing and Vehicle Registration Fees) (Amendment) Order 2008, which was laid before this House on 18th February, be approved.

GOVERNMENT RESOURCES AND ACCOUNTS

That the draft Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2008, which was laid before this House on 26th February, be approved.—*[Tony Cunningham.]*

Question agreed to.

EUROPEAN COMMUNITY DOCUMENTS

Motion made, and Question put forthwith, pursuant to Standing Order No. 119(9) (European Committees),

ELECTRONIC COMMUNICATIONS NETWORKS AND SERVICES

That this House takes note of European Union Document No. 15371/07, Commission Communication, Report on the outcome of the Review of the EU regulatory framework for electronic communications networks and services in accordance with Directive 2002/21/EC and Summary of the 2007 Reform Proposals; further notes the Government's support for the European Commission's objectives and most of the Commission's proposals to revise the regulatory framework for electronic communications and services in pursuit of open competition; but acknowledges the Government's intention to continue to analyse both the case for a veto on national remedies and establishing a new EU Market Authority in order to consider whether alternative methods could better achieve results.—*[Tony Cunningham.]*

Question agreed to.

PETITIONS

Clatterbridge Hospital (Wirral)

7.27 pm

Ben Chapman (Wirral, South) (Lab): I wish to present a petition signed by 1,470 residents of Wirral who feel that there is an overwhelming need for a minor injuries unit and an out-of-hours service in south Wirral. The north of the borough is covered by a facility in Wallasey and the centre by a unit at Arrowe Park. People in south Wirral do not feel that they receive the same degree of attention as those elsewhere in Wirral in that and other respects.

The petition reads as follows.

The Petition of residents of Wirral,

Declares that, there is a local and pressing need for a Minor Injuries Unit and an Out of Hours service in South Wirral, and that the Clatterbridge Hospital Site is a prime location for such facilities.

The Petitioners therefore request that the House of Commons urges the Minister for Health to call upon Wirral Primary Care Trust to commission a Minor Injuries Unit and an Out of Hours service on the Clatterbridge Hospital site.

[P000144]

Climate Change

7.28 pm

Stephen Williams (Bristol, West) (LD): I wish to present a petition signed by 1,210 of my constituents and other people throughout the city of Bristol. It concerns climate change, and more specifically the Climate Change (Sectoral Targets) Bill, which is nearing the end of its proceedings in another place and will shortly be presented to this House for further consideration. The petitioners specifically ask for an amendment to be tabled by Her Majesty's Government to introduce a target for the reduction of Carbon Dioxide emissions by at least 80 per cent. of the 1990 levels by 2050, to include in this target emissions from aviation and shipping, and to require intermediate annual targets for the reduction of emissions.

Following is the full text of the petition:

[The Humble Petition of residents of Bristol,

Sheweth

That they bear witness to the threats of climate change, and believe that firm action is needed to reduce emissions of carbon dioxide and other greenhouse gases. Wherefore your Petitioners pray that your Honourable House appeals to Her Majesty's Government to bring forward an amendment to the Climate Change (Sectoral Targets) Bill, to introduce a target for the reduction of Carbon Dioxide emissions by at least 80% of the 1990 levels by 2050, to include in this target emissions from aviation and shipping, and to require intermediate annual targets for the reduction of emissions.

And your Petitioners, as in duty bound, will ever pray, &c.]

[P000154]

Admiral John Byng

7.29 pm

Alistair Burt (North-East Bedfordshire) (Con): I have the honour to present a petition with historic overtones.

Some 250 years ago, Admiral John Byng was court-martialled and executed on the quarter-deck of his ship for a perceived naval failure. It was his execution that gave rise to Voltaire's satirical phrase in "Candide", which has been passed down to us today as "In England they execute the occasional admiral pour encourager les autres".

Born and buried in the village of Southill in my constituency, Admiral Byng's memory, and the sense of injustice among those who feel that he was convicted when it might have been the Government in the dock for providing him with inadequate ships and men, have led the petitioners—consisting of family and friends and some 600 signatories—to seek redress so that the wrong of his court martial and sentence can be finally righted, and the stigma of his unjust fate may be removed from his family with the sensitivity and understanding that have become more acceptable in modern times than in the past.

The petition states:

The Petition of the friends of All Saints Southill, the parishioners of Southill, Byng family members and the supporters of Admiral John Byng,

Declares that the conduct at his trial and the verdict of his trial in December 1756 and January/February 1757, which resulted in his execution on 14th March 1757 was unfair and unjust. Further declares that he was made the scapegoat for the inadequacies of the Government and his Naval Superiors at the time, whom the Petitioners believe to have been responsible for the loss of Menorca to the French.

The Petitioners therefore request that the House of Commons urges the Ministry for Defence and the Ministry for Justice to review the trial and the verdict of that trial, resulting in Admiral John Byng being declared innocent posthumously; his Honour should be restored for him, his family and supporters.

And the Petitioners remain, etc.

[P000153]

Organ Donation

Motion made, and Question proposed, That this House do now adjourn.—*[Tony Cunningham.]*

7.31 pm

Gordon Banks (Ochil and South Perthshire) (Lab): I am grateful for the opportunity to speak tonight. I am increasingly of the opinion that Adjournment debates are like buses—you wait for one a long time, then two or three come along at once. The House may be aware that I secured an Adjournment debate in Westminster Hall last week on the important issue of the banning of looped blind cords. Tonight, I wish to raise another important issue, and although I am certainly not complaining about the opportunity I have been given, some of my staff are.

To get down to business, tonight's debate is on an important issue. It has been in the headlines recently, but I am concerned we should not allow the sometimes divisive issue of organ donation to slip off the radar. I have been working closely with a local paper in my constituency, *The Alloa Advertiser*, since the end of January to try to promote the positive benefits of an opt-out system, and to encourage donors to sign up to the existing system to ensure that those in need of organs are given the best possible chance of life. As I said a few moments ago, there is a national focus on the issue, but as with everything, it is transient. We need to keep focused on this issue, as people's lives depend on it.

Perhaps I should spend a little time outlining why we have a severe shortage of organs. We are living longer, and conditions that would have killed us some years ago are managed and controlled. That is a good thing, but it creates a twofold pressure. First, some of the conditions with which we live require transplants and, secondly, as we live longer, fewer people are dying, which in itself creates a reduction in the number of organs for transplant. In addition, road deaths are less than half what they were in the 1970s despite, as we all know, a great increase in the numbers of cars and, indeed, a population increase. It is great that our roads and our cars are safer—and we must strive to make them even safer—but the statistics highlight a great pressure on available organs.

I believe the current system is too restrictive, as it does not meet the increasing demands placed on it. Quite simply, the organ donor rate in the UK is unacceptably low, with most European countries having a much higher rate than us—some of them twice or even three times the UK rate. We have reached a point where there is public demand for change. I believe that there is a desire for change in the House, too, which is demonstrated by early-day motion 967 in my name, which has attracted the signatures of 52 fellow Members. There are more than 7,000 people in the UK on waiting lists for organ donations, and more than 400 people die each year still waiting—more than one person a day. In Clackmannanshire, which forms part of my seat, four people have died in the past five years waiting for transplants. Bodies are buried or cremated complete with organs that could have been used to save lives, not necessarily because the deceased objected to donation, but simply because they never got round to signing up to the organ donor register or informing their relatives of their wishes.

Mr. Jim Devine (Livingston) (Lab): As my hon. Friend knows, I used to work in the health service, and it was traumatic for relatives to hear us explain the death of someone in a road traffic accident or of someone who suffered a coronary, and then to hear us ask whether we could take organs for the benefit of other individuals. That is unacceptable in this day and age.

Gordon Banks: I thank my hon. Friend for his comments. What he says is true and important, and I shall come on to explain how a soft opt-out system would make the initial conversation between the organ donation co-ordinators and the bereaved family more palatable. A new soft opt-out system would go a long way towards alleviating the stress my hon. Friend mentions.

While many of us say we would be prepared to donate our organs, not many of us have done anything about it. Studies have shown that 90 per cent. of the population support organ donation, yet only 25 per cent. are registered as donors. In Clackmannanshire, the figures reveal that 13,497 people are on the organ donation register, but if we equate that to the 90 per cent. statistic there are still about 30,000 potential recruits. People are more likely to need a transplant than they are to become an organ donor. Given that this research shows that the majority of people would be willing to donate, presuming consent rather than presuming objection is more likely to achieve the aim of respecting the wishes of the deceased person.

I have had an interest in this area for a while, and certainly long before I entered Parliament. Colleagues in the Scottish Parliament have campaigned relentlessly on the issue, particularly Dr. Richard Simpson and Lord Foulkes. I carry an organ donor card, but I have been concerned for a while that not enough has been done to encourage people to sign up and to make people aware of the desperate need for organs in the UK. For example, my wife, who works in the NHS, would be very willing for her organs to be used, but she has not got—and is unlikely ever to go about signing up for—a donor card. I suspect there are many people in that situation.

The lack of awareness of the demand for organs must also be addressed for the sake of the thousands of people on the waiting list. I have met a couple of people in my constituency who are on the list. Sarah Murray from Sauchie is 23 years old and suffers from cystic fibrosis. She has been waiting 18 months—well above the average waiting time—for a double lung transplant, and she told me about the difficulties that she daily faces. Simple tasks such as housework or walking the distance between two lamp posts are difficult, if not impossible. She has lived with this disease all her life, and it has affected her schooling and means she is unable to work. She has not had the opportunities that most of the rest of us have had. She may have gone on to university. Who knows what potential might have been released? A transplant will release that potential.

I spoke last week in my other Adjournment debate to which I referred earlier about wasted potential, and here I find myself raising it again. The decisions we make on issues such as organ donation will allow so many of our young people to realise their potential. Sarah has always wanted to be a nurse, but has been

held back by her condition. A transplant would give Sarah the opportunity to study nursing and pay back to the very system that saved her.

I am glad that the Government are making moves to tackle the chronic shortage of organ donors by welcoming the findings of the recent organ donation taskforce report. Let me be clear: I also support the report's findings, but I firmly believe we need to move to an opt-out system as soon as possible. The report raised some important issues, and over the past few weeks I have been questioning the Department on a wide range of matters relating to organ donation. I hope the Minister will be able to address some of them. I know that the Prime Minister has agreed in principle to adopt the report's recommendations, which if implemented could see a 50 per cent. increase in UK organ donors. However, changes may be some months away, so I believe it is important that we lay down some strong foundations now.

There should also be an increased role for GPs in discussing with patients the option of organ donation. I have been visiting my GP for over 50 years and not once has the issue been discussed. I know that this must be handled carefully, but I firmly believe that we must address the role of GPs.

Funding of £11 million has been made available for 2008-09, with significant additional funding identified for subsequent years. In response to a written question on 29 February the Minister informed me that discussion with stakeholders has started to agree what further action, such as research, public awareness campaigns, training and work force requirements, would be needed to enable each recommendation to be implemented. I hope that the Minister can tell the House in greater detail how the discussions are progressing.

We must couple the implementation of an opt-out system with the recruitment of extra transplant co-ordinators to ensure that all suitable organs are harvested. The taskforce report has called for 100 co-ordinators to help relieve the strain on the existing co-ordinators, many of whom work shifts in excess of 24 hours without a break.

If a change is to take place, we need to ensure that an adequate level of investment and expertise is utilised. Unless we have the people who are properly trained, and transplant co-ordinators who are available 24 hours a day, we will find ourselves in a very difficult position.

Rob Marris (Wolverhampton, South-West) (Lab): May I take the opportunity to pay tribute to the wonderful work of the late John Cox, his wife Rosemary and their daughter Christine following the death of Peter Cox? They were instrumental in persuading the then Government to set up the national register of donors. One of the reasons insufficient organs are available is that even if the deceased has expressly consented to organ donation, his or her relatives can posthumously block the donation and refuse consent. The relatives' power of veto should be reconsidered in order to increase the supply of organs.

Gordon Banks: I thank my hon. Friend for his remarks. I favour a soft opt-out where the family retains the ability to be consulted, but where we come at it from a position of presumed consent as opposed to a presumed lack of consent. Countries such as Austria operate the system that he mentions. It has a high level of uptake and availability of organ donations, so he makes a strong argument.

There is a need for investment in the short term, but the sooner the extra money is found, the better, as there will be long-term savings for the national health service and improvements in people's quality of life. I recognise that increased funding for transplants has been allocated by the Government: heart and lung funding has increased by almost £8 million since 2002; liver funding has almost doubled since 1997; and pancreas transplant services' funding has more than doubled since 2004 to more than £8 million. That investment is very welcome.

Last month, I visited the renal unit at Falkirk and District royal infirmary and found out that it costs the NHS on average £400 per treatment. If people require three treatments per week, as my constituent Anne Duncombe does, we are talking about more than £1,000 a week, possibly for many years. The cost benefit of a kidney transplant is staggering—the NHS is £241,000 better off over a 10-year period for every transplant patient. No one has to be an economist to see the real financial value to the NHS of a transplant, never mind the ability of the recipient to work, pay taxes and improve their quality of life.

Dialysis is not just a financial burden; it can often mean 18 to 20 hours per week to people if time for treatment, travelling and so on is taken into account. The renal unit at Falkirk and District royal infirmary is treating more and more patients from throughout the Forth valley owing to the ever-increasing demand for organs. The unit has almost doubled in size since it opened in 1999. It now treats 100 dialysis patients, but only one in four of them each year receive the kidney that they need.

A lot of money could be allocated elsewhere if a successful opt-out system were launched. Each region should have a dedicated team ready to operate when needed to remove organs, and there should also be a national database prioritising organs that are urgently required, particularly for children. Another important point is that we must ensure that any attempts at political separation in the UK do not detract from the need to have a UK-wide solution to the organ donation issue.

Mr. Jim McGovern (Dundee, West) (Lab): Like me, my hon. Friend represents a Scottish constituency. I am sure that he is fully aware that health is devolved to the Scottish Executive. Can he tell us what their view is on his proposals?

Gordon Banks: I thank my hon. Friend for his comments. The transplant situation in Scotland is governed by the Human Tissue (Scotland) Act 2006. There are noises from the Scottish Executive that they are minded to favour a soft opt-out, but we will have to wait to see whether they deliver. The situation in the rest of the UK is governed by an Act passed in 2004, and my hon. Friend will note the two-year disparity. We cannot allow such a disparity if the situation is changed in the rest of the UK and Scotland is left behind.

Limiting the availability of organs to one region would have some serious implications. As with so many matters, we are stronger as part of the Union, and in this case a UK-wide system increases the likelihood of an organ becoming available. Who will be the one to

[Gordon Banks]

tell my constituents that their chance of receiving an organ transplant has been drastically cut, because we can harvest them only from Scotland? I hope that no one ever has to utter such words.

Therefore I am pleased that the NHS Blood and Transplant Authority has commissioned work to develop and design an electronic system for offering donor organs throughout the United Kingdom. I understand from the Department's reply to one of my written questions that this system will be ready to go live in September this year. I am sure that the Minister will agree with me that this is an important step forward.

The organ donation taskforce took note of the systems being implemented by some of our European neighbours, such as Spain, where a change in the law and the necessary reform in the health service has boosted the number of organs available for transplant. The organ donation rate in Spain is 35 per cent., compared with 13 per cent. here in the UK.

It is important here to distinguish between the number of people carrying cards and on the register, which is 25 per cent., and the number of organs used in transplant, which is 13 per cent. There could be many explanations for this disparity. We may die in the "wrong way", organs from potential donors may be incompatible with those in need at that time, and many people carrying donor cards may be young people who are encouraged to sign up when they apply for their driving licence. Their organs are unlikely to be available for many years to come. So a 25 per cent. base of card-carrying donors delivers only half that number of organs for transplant.

Hard-hitting campaigns are being launched here in the UK, particularly the "Live or die? You choose" campaign, which is on our television screens now. I praise the work of the NHS Blood and Transplant Authority, but there is a limit to how effective such campaigns can be when our organ donation system is so fractured.

Every hon. Member will know that changes in the law can often be slow and cumbersome, but the longer we wait, the more lives we put at risk. I encourage all hon. Members to put this message across in their local media, so that we can raise the profile of this issue. Members could promote their constituency office as a place where people could come along to sign up to become organ donors; launch campaigns in the local press and highlight the plight of those waiting for organs; go out and meet those in their constituency who are waiting for a transplant; and look at the facilities and speak with staff at their local hospital. It is only by putting across the human side that we will encourage more people to come forward as organ donors. We need to raise awareness and encourage the public to sign up to help others in need by giving them the gift of life.

Some hon. Members will be aware that in my Adjournment debate last week I highlighted the issue of the dangers associated with looped blind cords and the tragic death of a toddler in my constituency, Muireann McLaughlin. Muireann's parents, at a time of tremendous grief, decided to help to give the gift of life to another when two of Muireann's heart valves were donated. That ties in with recommendation 12 made by the organ donation taskforce that there should be some way to recognise the brave decisions of parents in such situations.

As with any issue, there is always an opposing view. I understand and sympathise with that view, and whether it is held on moral or religious grounds it is equally valid. There should be a database of people who do not want their organs to be used for transplant, giving people the opportunity to opt out. If someone felt strongly enough, I am certain they would ensure their name was on the database. It sounds tough and harsh, but so are the deaths of 400 people per year, many of whom are children.

It is not a case of nationalising organs, as has been suggested in the past. People waiting for organs get very angry at those who take that view. It is a case of trying to save lives using all means possible. With a soft opt-out, donation would become the default position. The introduction of a soft system of presumed consent would represent a shift in emphasis in favour of donation without major changes to practice. It would respect the wishes of potential donors and the sensitivities of their families.

To sum up, I hope that I have put a case that outlines the need for a change to our system of organ donation. I urge hon. Members to sign early-day motion 967, which is in my name, and urge the Government to move to an opt-out system with the necessary structural changes in the service as quickly as possible. There are enough organs in the UK to satisfy demand, and it is simply the system that holds us back from transplanting them into those who need them. It is my hope that the Minister will address the issues I have raised, and also propose some time scales for when we can look to take the organ donation taskforce's proposals forward.

As I mentioned earlier, the longer we wait the more lives we put at risk. As a responsible country, we cannot and should not allow this.

7.51 pm

The Minister of State, Department of Health (Dawn Primarolo): I congratulate my hon. Friend the Member for Ochil and South Perthshire (Gordon Banks) on securing this evening's debate. I commend the hard work and dedication that he continues to demonstrate in his constituency and as an advocate for the issue.

I hope that in the time that I have to speak, I can reassure my hon. Friend on the issues that he raised. Transplantation is one of medicine's great success stories. As my hon. Friend knows, the Government are absolutely committed to increasing the number of organs available for transplantation so that many more people can benefit from that life-saving procedure and, as he so graphically said, release the potential of the individuals who have that potential thwarted because of the limitations caused by their being unable to secure a transplant.

The current situation, whereby 8,000 individuals require a transplant but only 3,000 operations a year are carried out because of the lack of available organs, reflects not only the points made by my hon. Friend but those made by my hon. Friend the Member for Livingston (Mr. Devine), who illustrated from his professional experience the added difficulties and strains in the health service. The situation is worse than that. Some 4,000 patients are never put on the list. Practitioners are reluctant to list

patients whom they believe are never likely to receive a suitable organ because there is such a limited supply of organs for transplant.

I, too, want to pay tribute to the constituents of my hon. Friend the Member for Wolverhampton, South-West (Rob Marris)—the late John Cox and his wife Rosemary—who have done so much to advance the achievement of a sensible situation in the UK.

The gap highlighted between the number of those who require transplants and the number of available organs led my right hon. Friend the Member for Doncaster, Central (Ms Winterton), when she was Health Minister, to set up the organ donation taskforce. The taskforce's membership was drawn from a wide range of specialties and interests, including media, diversity issues and the voluntary sector. It undertook a thorough and productive period of research to identify the barriers to organ donation and how they might be overcome. Like my hon. Friends, I carried a card for a long time and I am on the register. So few people appreciate the simplicity of the registration process and how it makes organs available.

The taskforce looked at evidence from Europe and the US, but especially from Spain. The evidence from Spain was very important because, as my hon. Friend the Member for Ochil and South Perthshire noted, Spain has the highest rate of organ donation in the world, at around 33 per million people. In contrast, the UK has one of the lowest donation rates in Europe.

In addition, many aspects of the Spanish model have been successfully imported to other areas, such as northern Italy and certain parts of South America. It is therefore clear that we need to look at the formula that is used in Spain.

The taskforce has recommended that the UK adopt the sort of broad-based approach to be found in Spain. It said that there needs to be investment in infrastructure and that the UK must ensure it maximises its potential for donation rates. That includes establishing a UK-wide organ donor organisation as part of the NHS blood and transplant service, a point that my hon. Friend the Member for Ochil and South Perthshire made.

The taskforce also said that we needed a dedicated and strengthened network of organ retrieval teams to work with hospitals' critical care teams. It added that the number of front-line co-ordinators working with families and the hospitals that donate and receive organs should be doubled to around 100—exactly the point made by my hon. Friend the Member for Livingston. Moreover, it said that all parts of the NHS should embrace organ donation as usual business, not as an unusual event, and that is precisely the point that my hon. Friend made about GPs.

Other recommendations from the taskforce were that donor activity in all health trusts should be monitored, and that all clinical and nursing staff likely to be involved in treating potential organ donors should receive mandatory training in donation.

My hon. Friend the Member for Ochil and South Perthshire rightly spoke about funding, and the House will know that my right hon. Friend the Secretary of State for Health announced on 16 January that all the recommendations from the taskforce would be accepted. To enable their implementation, extra funding of £11 million has been made available for 2008-09, with more to follow in future years.

Organ donation is an area of medicine that necessitates a high degree of co-ordination across the UK. For example, an organ donated in Glasgow, Cardiff or Belfast may be transplanted into a patient in London, or vice versa. It is therefore essential that a UK-wide approach is maintained, and that is the strong message that we have received from the taskforce. All the Ministers in the four UK health Departments have welcomed the taskforce's recommendations, and are implementing them.

My hon. Friend the Member for Ochil and South Perthshire rightly touched on the need to oversee the delivery of the recommendations. I am therefore pleased to announce that Professor Sir Bruce Keogh, the medical director of the NHS, has agreed to head the group tasked with taking forward their implementation. We have already held discussions with a number of organisations so that early progress can be made.

My hon. Friend mentioned matters to do with presumed consent that are outside the taskforce's original remit. Under the current system, as my hon. Friend the Member for Wolverhampton, South-West noted, families do not have a legal right of veto over a decision made by a donor when he or she was alive. Any system that we put in place must be aimed at helping people who wish to be donors to have their wish carried out, and that is something that will need to be taken into consideration.

Clearly, the taskforce's work does not end there. The UK's chief medical officers will need to take the work forward, and my right hon. Friend the Secretary of State has made it clear that he has asked the taskforce to consider the potential impact of introducing an opt-out system for organ donation. My right hon. Friend the Prime Minister has said that he thinks now is the time for a public debate on the matter, and that we should move forward.

I have sympathy with those who want a change to the opt-out system as a step towards putting into practice the wishes of the many people who we know support the idea of donation in principle. It is important that when we develop that idea we find ways to move towards a system that helps people to donate and helps their wishes to be fulfilled, but also takes into consideration the views of others who may not wish to be covered by presumed consent. That needs to be done delicately, swiftly, and accurately if we are to meet the objectives of my hon. Friends present today.

I am delighted that all UK Governments have been able to commit to taking forward the recommendations. I am delighted that the taskforce, with its considerable expertise, is turning its attention to an opt-out system of presumed consent. Like my hon. Friend the Member for Ochil and South Perthshire, I look forward to the day, which I hope will come soon, when we have an agreed procedure that satisfies all, regardless of their views on organ donation, and that ensures that we match the Spanish rates and so help people to live fulfilled lives, rather than lives that are wasted because organs are not available. I commend the work of my hon. Friends to the House.

Question put and agreed to.

Adjourned accordingly at one minute past Eight o'clock.

Deferred Division

EUROPEAN DEFENCE EQUIPMENT MARKET AND EUROPEAN DEFENCE AGENCY

That this House takes note of European Union Documents No. 14937/07, Report by the Head of the European Defence Agency on its activity in 2007, No. 15413/07, the Council's guidelines for the European Defence Agency's work in 2008, and No. 16682/07 and Addenda 1 and 2, Commission Communication on a Strategy for a Stronger and More Competitive European Defence Industry; and endorses the Government's approach to the development of the European Defence Agency and its view that the analysis and proposed solutions in the Commission's Communication need further refinement before they can be supported.

The House divided: Ayes 254, Noes 194

Division No. 130]

AYES

Ainsworth, rh Mr. Bob
Alexander, rh Mr. Douglas
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Austin, John
Baird, Vera
Balls, rh Ed
Banks, Gordon
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blizzard, Mr. Bob
Borrow, Mr. David S.
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Burden, Richard
Burnham, rh Andy
Butler, Ms Dawn
Byers, rh Mr. Stephen
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chapman, Ben
Chaytor, Mr. David
Clark, Ms Katy
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Cohen, Harry
Cooper, Rosie
Cooper, rh Yvette
Cousins, Jim
Crausby, Mr. David
Cruddas, Jon
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Curtis-Thomas, Mrs. Claire
David, Mr. Wayne
Davies, Mr. Dai
Dean, Mrs. Janet
Devine, Mr. Jim
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Durkan, Mark
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Ennis, Jeff
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, rh Caroline
Flynn, Paul
Follett, Barbara
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gapes, Mike
Gardiner, Barry
Gilroy, Linda
Godsiff, Mr. Roger
Goggins, Paul
Goodman, Helen
Griffith, Nia
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Hendrick, Mr. Mark
Heppell, Mr. John
Hesford, Stephen
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodge, rh Margaret
Hodgson, Mrs. Sharon
Hood, Mr. Jim
Hoon, rh Mr. Geoffrey
Hope, Phil
Hopkins, Kelvin
Hosie, Stewart
Howells, Dr. Kim
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Kelly, rh Ruth
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kumar, Dr. Ashok
Ladyman, Dr. Stephen
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Llwyd, Mr. Elfyn
Love, Mr. Andrew
Lucas, Ian
Mackinlay, Andrew
MacNeil, Mr. Angus
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy-Fry, Sarah
McDonagh, Siobhain
McFadden, Mr. Pat
McFall, rh John
McGovern, Mr. Jim
McGrady, Mr. Eddie
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McNulty, rh Mr. Tony
Meale, Mr. Alan
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh Edward
Miller, Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morgan, Julie
Mountford, Kali
Mullin, Mr. Chris
Munn, Meg
Murphy, rh Mr. Paul
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Osborne, Sandra
Owen, Albert
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Price, Adam
Primarolo, rh Dawn
Prosser, Gwyn
Purchase, Mr. Ken
Purnell, rh James
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robertson, Angus
Robertson, John
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Salter, Martin
Sarwar, Mr. Mohammad
Seabeck, Alison
Sharma, Mr. Virendra
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Stringer, Graham
Sutcliffe, Mr. Gerry
Taylor, Ms Dari
Taylor, David
Thomas, Mr. Gareth
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Touhig, rh Mr. Don
Trickett, Jon
Twigg, Derek
Walley, Joan
Waltho, Lynda
Wareing, Mr. Robert N.
Watson, Mr. Tom
Watts, Mr. Dave
Weir, Mr. Mike
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan

Williams, Mrs. Betty
Williams, Hywel
Wilson, Phil
Winnick, Mr. David
Winterton, rh Ms Rosie
Wright, David
Wright, Mr. Iain
Wyatt, Derek

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Ancram, rh Mr. Michael
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Baker, Norman
Baldry, Tony
Baron, Mr. John
Barrett, John
Beith, rh Mr. Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Bottomley, Peter
Brady, Mr. Graham
Brake, Tom
Brazier, Mr. Julian
Brokenshire, James
Brooke, Annette
Browne, Mr. Jeremy
Bruce, rh Malcolm
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Cameron, rh Mr. David
Campbell, Mr. Gregory
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Clappison, Mr. James
Clark, Greg
Clifton-Brown, Mr. Geoffrey
Crabb, Mr. Stephen
Davey, Mr. Edward
Davies, David T.C. *(Monmouth)*
Davies, Philip
Djanogly, Mr. Jonathan
Dodds, Mr. Nigel
Dorries, Mrs. Nadine
Duddridge, James
Duncan, Alan
Dunne, Mr. Philip
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Fallon, Mr. Michael
Farron, Tim
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
Fox, Dr. Liam
Francois, Mr. Mark
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gillan, Mrs. Cheryl
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Green, Damian
Greening, Justine
Grieve, Mr. Dominic
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hands, Mr. Greg
Harper, Mr. Mark
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Herbert, Nick
Hoban, Mr. Mark
Hollobone, Mr. Philip
Holmes, Paul
Horam, Mr. John
Howarth, David
Howarth, Mr. Gerald
Hughes, Simon
Hunt, Mr. Jeremy
Hunter, Mark
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Johnson, Mr. Boris
Jones, Mr. David
Kawczynski, Daniel
Keetch, Mr. Paul
Kennedy, rh Mr. Charles
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Laing, Mrs. Eleanor
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Lewis, Dr. Julian
Liddell-Grainger, Mr. Ian
Loughton, Tim
Mackay, rh Mr. Andrew
Maclean, rh David
Mates, rh Mr. Michael
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McCrea, Dr. William
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Mercer, Patrick
Miller, Mrs. Maria
Mitchell, Mr. Andrew
Moss, Mr. Malcolm
Mulholland, Greg
Murrison, Dr. Andrew
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Öpik, Lembit
Osborne, Mr. George
Ottaway, Richard
Paice, Mr. James
Penning, Mike
Penrose, John
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Reid, Mr. Alan
Rennie, Willie
Rifkind, rh Sir Malcolm
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, Mr. Laurence
Rogerson, Dan
Rosindell, Andrew
Rowen, Paul
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Stanley, rh Sir John
Streeter, Mr. Gary
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Tapsell, Sir Peter
Teather, Sarah
Tredinnick, David
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vara, Mr. Shailesh
Viggers, Peter
Villiers, Mrs. Theresa
Wallace, Mr. Ben
Waterson, Mr. Nigel
Watkinson, Angela
Webb, Steve
Whittingdale, Mr. John
Wiggin, Bill
Willetts, Mr. David
Williams, Mark
Williams, Stephen
Willott, Jenny
Wilshire, Mr. David
Wilson, Mr. Rob
Winterton, Ann
Winterton, Sir Nicholas
Wright, Jeremy
Young, rh Sir George
Younger-Ross, Richard

Question accordingly agreed to.

House of Commons

Thursday 20 March 2008

The House met at half-past Ten o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

PRIVATE BUSINESS

BROADS AUTHORITY BILL *(BY ORDER)*

Order for Third Reading read.

To be read the Third time on Thursday 27 March.

BOURNEMOUTH BOROUGH COUNCIL BILL *[LORDS]* (BY ORDER)

CANTERBURY CITY COUNCIL BILL *(BY ORDER)*

LEEDS CITY COUNCIL BILL *(BY ORDER)*

LONDON LOCAL AUTHORITIES (SHOPPING BAGS) BILL *(BY ORDER)*

MANCHESTER CITY COUNCIL BILL *[LORDS] (BY ORDER)*

NOTTINGHAM CITY COUNCIL BILL *(BY ORDER)*

READING BOROUGH COUNCIL BILL *(BY ORDER)*

Orders for Second Reading read.

To be read a Second time on Thursday 27 March.

Oral Answers to Questions

ELECTORAL COMMISSION COMMITTEE

The hon. Member for Gosport, representing the Speaker's Committee on the Electoral Commission, was asked—

Electoral Registration

1. **Simon Hughes** (North Southwark and Bermondsey) (LD): What percentage of the electorate in (a) Greater London, (b) England and (c) Wales are registered to vote. [195458]

Peter Viggers (Gosport): The total number that could be eligible to vote is not known with accuracy, and I cannot answer the hon. Gentleman's question in the form in which he put it. As of 21 December 2007, about 5.5 million people were registered to vote in local government elections in Greater London, and the other figures were 38.5 million in England and about 2.25 million in Wales. Past research by the commission suggests that the level of non-registration—for technical reasons, I must give the non-registration figure, rather than that for registration—in England and Wales was between 8 and 9 per cent., and in London it could be between 10 and 20 per cent., depending on the area.

Simon Hughes: I am grateful to the hon. Gentleman for that helpful answer, confirming what many of us know and fear—the high level of non-registration, particularly in London, but also elsewhere. Given that it is only a few weeks before the latest date for getting on the electoral roll for the coming May elections in England and Wales, will he talk to his colleagues on the committee and in the Electoral Commission about the much-promised campaign to get people to vote, which was meant to happen each spring? Even if it has not happened this year, will he talk to his colleagues to provide some momentum in the remaining available days? People need to be encouraged to vote.

Peter Viggers: I am grateful to the hon. Gentleman. The last date to register is 16 April. He is right to ask about the commission's campaign to encourage registration. A significant advertising campaign will be launched after Easter on television and radio, in the outdoor press and online, supported by coverage in the local media. It would help to have a larger number registered, and the Electoral Commission believes that individual registration would encourage that.

Mr. Gordon Prentice (Pendle) (Lab): The hon. Member for Gosport (Peter Viggers) anticipated my point; I was going to ask whether the committee had considered the implications of the Slough judgment, which called for individual voter registration. The present system does not work and is open to fraud.

Peter Viggers: Since 2003, the Electoral Commission has been urging individual registration. When giving evidence to the Select Committee on Justice earlier this week, its chairman said:

"If it's a matter of where I'd put the priority in terms of urgency...I would choose individual registration first and consolidation of electoral law afterwards."

The Slough judgment significantly highlighted the defects in the registration system, and the Electoral Commission has made strong representations to Government about that.

Sir George Young (North-West Hampshire) (Con): Further to the point made by the hon. Member for Pendle (Mr. Prentice), is the problem not the non-registration of people who can vote but the registration of people who cannot vote? Have the Government given my hon. Friend the Member for Gosport (Mr. Viggers) any indication that following the Slough judgment they are prepared to revisit the issue of individual registration?

Peter Viggers: The commission's view is that the registration system in Great Britain does not provide adequate safeguards against fraudulent registration and thus against fraudulent voting. Names can be added to the register by others, and not enough information is collected about those on the register to establish whether they really exist and are really resident at the address in question. Fraudsters can undermine the electoral process by obtaining and casting postal votes using falsely

registered names. As its chairman's evidence to the Justice Committee this week indicated, the Electoral Commission is making strong representations to Government. I have not yet heard their response.

CHURCH COMMISSIONERS

The hon. Member for Middlesbrough, representing the Church Commissioners, was asked—

Parish Ministry (Funding Support)

2. **Ben Chapman** (Wirral, South) (Lab): What criteria are used to determine areas of need in relation to the allocation of funds via the Archbishops Council in support of parish ministry. [195459]

The Second Church Estates Commissioner (Sir Stuart Bell): Parish ministry support is targeted on low-income dioceses, their share calculated according to a formula that takes into account the income from the historic resources within the diocese, the income levels of the local population and other factors including attendance and electoral roll numbers.

Ben Chapman: The averaging of wealth and well-being results in the masking of some areas and strands of deprivation. Some dioceses that are perceived as being relatively well-off receive less than others. Chester, for example, has done well in terms of parish mission initiatives. What does my hon. Friend plan to do to maintain that creditable list?

Sir Stuart Bell: My hon. Friend is right about Chester diocese being relatively well resourced, but it does receive less from the Church Commissioners than other dioceses do. I congratulate Chester diocese, through my hon. Friend, on its long list of parish mission initiatives. That was supported last year by the mission development moneys that the commissioners made available. I wish the diocese well in its future work.

Mr. Andrew Robathan (Blaby) (Con): Will the hon. Gentleman ensure that the Archbishops Council allocates funds to investigate bat damage in historic churches? It is a real issue across the country, and it needs to be examined. The Archbishops Council could do that, and it should get in touch with the Department for Environment, Food and Rural Affairs to ensure that we are not hidebound by foolish regulations to protect bats. I want to protect bats, but we must strike a balance between bat conservation and the needs of historic churches.

Sir Stuart Bell: English Heritage has recognised that, in addition to the public health issues, bat droppings are highly damaging to monuments, brasses and other fixtures. When bats get into the main body of a church, fixtures must be covered and then uncovered for worship and other activities. We recognise the need to conserve the environment, and the Bat Conservation Trust must be considered, but the Church recognises the potential damage to church contents from bats in the belfry.

Women Ordinands

3. **Tony Baldry** (Banbury) (Con): What percentage of ordinands ordained in the last 12 months are women. [195460]

Sir Stuart Bell: Some 47 per cent.

Tony Baldry: Is it not noteworthy that the first two people whom Jesus met after the resurrection were Mary and Martha? When will the House of Bishops make proposals that will enable the General Synod to resolve that the head of a woman is as worthy of the hands of apostolic succession as is the head of a man?

Sir Stuart Bell: I am grateful to the hon. Gentleman for his reference to those historical events. This is the first Maundy Thursday that we have had Church Commissioners questions, and I wish you, Mr. Speaker, and the House a happy Easter.

General Synod has already agreed that the legal obstacles to the ordination of women bishops can be removed, and a legislative drafting group, chaired by the Bishop of Manchester, is trying to identify possible ways of doing that, including arrangements for those who are conscientiously unable to accept the ministry of women bishops. It has consulted widely. We hope that the General Synod will refer to the matter again in its July meeting.

Church Thefts

4. **Miss Anne McIntosh** (Vale of York) (Con): What recent discussions the Church Commissioners have had with clergymen on thefts from churches. [195461]

Sir Stuart Bell: The Archbishops Council has had extensive discussions with parishes and dioceses about the most significant type of church theft, which is the theft of lead from church roofs. This is a serious problem and the Church is working with the police and insurers to try to solve it.

Miss McIntosh: I welcome the hon. Member for Thurrock (Andrew Mackinlay) to his new position on the Front Bench—[HON. MEMBERS: "Hear, hear."] It is obviously a popular appointment.

Everyone who lives in a rural community has a role to play in being vigilant and trying to prevent such thefts. I am especially concerned about the financial impact on churches, and it will continue to be a problem as long as lead and other mineral prices remain as high as they are. Can the hon. Member for Middlesbrough (Sir Stuart Bell) say anything about the impact on insurance premiums and the general life of the church, given that predicament?

Sir Stuart Bell: Guidance on those matters can be found on the websites of Churchcare and the Ecclesiastical Insurance Group, and is also available from the National Churchwatch scheme and Church House. Ecclesiastical Insurance has invented a marking product called SmartWater that can trace recovered metal to its owner and link the thief to the scene of the crime. A free security marking system is also available to parishes. We are trying to keep our churches open

and to keep people coming to them, but we recognise the difficulties and dangers involved. We hope that the methods being introduced by Ecclesiastical Insurance will help to reduce theft, in both rural and city areas.

Mr. Philip Hollobone (Kettering) (Con): The theft of lead and other metals from churches in the Kettering constituency is a growing problem, and there was recently a theft from Wheatley parish church. At what level among senior police officers have the Church Commissioners been having discussions? What discussions have been taking place with senior representatives of the scrap metal industry to control the lead and other metal that is brought to scrap yards for recycling, and to find out where it has come from?

Sir Stuart Bell: All thefts are reported to the police, with whom there is close liaison. I hope that it is of some slight comfort to the hon. Gentleman that, although the problem of stolen lead is getting more serious, the amount of theft of other church fixtures has declined. He asks a pertinent question about scrap metal, and we hope that the marking product being introduced will help us, with the aid of scrap metal merchants, to track both the material that has been stolen and the people who stole it.

Bishoprics (Funding)

5. **Mark Pritchard** (The Wrekin) (Con): What recent discussions the Church Commissioners have had with the House of Bishops on the funding of bishoprics. [195462]

Sir Stuart Bell: Following consultation with the House of Bishops last year, a system of global budgets for funding bishops' office and working costs was introduced at the beginning of this year. The revised system will give bishops greater discretion in how the money is spent within agreed guidelines.

Mark Pritchard: It is a shame that the hon. Member for Thurrock (Andrew Mackinlay) has left the Front Bench, as I was looking forward to hearing some straight talking for a change.

I thank the hon. Member for Middlesbrough (Sir Stuart Bell) for his reply to my question. Does he agree that bishops do vital work in local communities, and will he join me in thanking the Bishops of Hereford and of Lichfield, and the two suffragan bishops who work under them, the Bishops of Ludlow and of Shrewsbury? Will he give a commitment to the House and to my constituents in both dioceses that those bishops' funding will be safeguarded and that their valuable work will continue to be recognised?

Sir Stuart Bell: I recognise the role that bishops play locally, nationally and internationally. It is important that they are properly resourced and it is part of the Church Commissioners' duty to provide that support. In 2006, we spent £24.5 million on bishops' ministries, although we have other beneficiaries and must balance our obligations. The commission recognises the work done by the specific bishops that the hon. Gentleman listed, and the work of all bishops. We congratulate them on the role that they play in their dioceses.

Bishops' Historic Residences

6. **Robert Key** (Salisbury) (Con): What consideration the Church Commissioners have given to the future of the historic residences of the bishops of the Church of England; and if he will make a statement. [195463]

Sir Stuart Bell: The suitability of every see house is considered when the incumbent bishop reaches the age of 62. By way of a statement, the pre-retirement review process enables constructive dialogue with the bishop, his family, his diocese and a range of other interested parties, and helps us provide a suitable home, workplace and base for his ministry.

Robert Key: Does the Second Church Estates Commissioner agree that it is part and parcel of what the Church of England is that we accept responsibility for looking after the buildings in our care, be they see houses or ancient parish churches? Given that 20 per cent. of this country's listed buildings—and 40 per cent. of all our grade 1 listed buildings—are maintained by the Church of England Christian community, would not the Church Commissioners be better employed in seeking a new settlement with the state about how the cost of maintaining those national treasures could be shared?

Sir Stuart Bell: It may be Maundy Thursday, but I am reminded of a phrase that Jesus used: words often fall on stony ground. Any suggestion that the Church and the state might work together, with the state providing more money to the Church, will, I suspect, fall on stony ground.

In respect of work carried out in historic residences that are also bishops' palaces, we have of late maintained Rose castle and Auckland castle. As commissioners, we provide and maintain a residence for each diocesan bishop, so we fully understand the point that the hon. Gentleman makes. The Church will have to look after its own and not rely on the state. We shall continue to do the job we have been doing. We understand the historical context as well as the need to be up to date and to serve our parishioners, which is what the commissioners are trying to do.

SOLICITOR-GENERAL

The Solicitor-General was asked—

Crown Prosecution Service

10. **Sandra Gidley** (Romsey) (LD): What assessment she has made of the Crown Prosecution Service's response to information on crime scene profiles received from the Dutch authorities in January 2007. [195477]

The Solicitor-General (Vera Baird): The Dutch authorities submitted 2,159 crime scene profiles from unsolved crimes. When my noble and learned Friend the Attorney-General became aware of issues surrounding the disk, she ordered the Crown Prosecution Service to conduct an urgent inquiry into what had happened. The inquiry

has three strands, two of which will be concluded by the end of this month. I shall not be able to comment on numbers of DNA matches, or anything like that, because of ongoing operations.

Sandra Gidley: The Solicitor-General has said in the past that, unlike what happened in recent cases of official negligence, the data have not actually been lost, but how does she know? If the CPS did not know it had the disk in the first place, how can it possibly reassure us that the disk was never copied illegitimately, or that something similar did not occur?

The Solicitor-General: The full facts about where the disk was and how it was handled will become clear from the outcome of inquiry. The hon. Lady should not overlook the fact that this was an excellent example of international co-operation between UK law enforcement offices and those abroad, which is capable of taking off the streets a lot of criminals who would not have been taken off the streets if we did not have our strong DNA database and excellent international relationships with our European partners.

Tom Brake (Carshalton and Wallington) (LD): Is not the real lesson that the Government cannot be trusted with sensitive data? They do not know the value of such data and cannot keep them safe. How will the Solicitor-General achieve a real cultural change in the way the Government handle data?

The Solicitor-General: I remind the hon. Gentleman that no data have been lost in this case, so he really should take a calming pill. He should set his feet slightly more firmly on the ground and take his head slightly further out of the clouds. There is an inquiry and it will produce outcomes in due course. It should take only a moment's thought to appreciate that when we delivered our DNA data disk to the Dutch, it was taken by an Association of Chief Police Officers officer. It was handcuffed to him and he was escorted by another officer. When the data came to the CPS, which is—as again a moment's thought would have told the hon. Gentleman—remote from ownership of our database and not the appropriate recipient, it came with no destination except "CPS, Ludgate Hill". The hon. Gentleman is going too far in his criticisms; he needs to wait until he knows a few facts; a little knowledge is a terribly dangerous thing.

Mr. Dominic Grieve (Beaconsfield) (Con): I am a little troubled by the length of time the inquiry is taking. On the face of it, if some of the background facts that have already come into the public domain are correct, it would seem that the answers to the inquiry are probably fairly simple, yet as the Solicitor-General will appreciate, particularly from the question she has just received, some of the disquiet centres on the fact that we still do not have the inquiry report. Will she assure the House that it will be brought forward as quickly as possible? I am a little troubled about the length of time it is taking given that the facts seem fairly simple.

The Solicitor-General: Probably the most important fact for me to confirm is that the results of the matching process have been returned to the Dutch. We have completed the inquiry into where the disk was at any given time, and by the end of the month it is expected that the CPS will have looked at responsibility for that. The third strand, to which I have just alluded, is the one on which our ACPO officers and the Dutch police are now able to take matters forward. We will produce the results as soon as we can.

David Howarth (Cambridge) (LD): Does that incident not illustrate a more important point about the use of the DNA database? If reports are to be believed, the incident came about because the Crown Prosecution Service could not cover the absence of a prosecutor. Does that not show that resources would be better spent on using the data that we already have more efficiently and effectively, than on endlessly expanding the DNA database to include more and more innocent people, who have less and less likelihood of being involved in crime?

The Solicitor-General: We are determined to use the DNA database in the most effective way, so that it can stamp out crime that would otherwise not be detected. If that is not how the Liberal Democrats see an appropriate criminal justice policy going forward, so be it. The hon. Gentleman's factual basis for his question is wrong. He, too, must wait until he has a little bit more knowledge than the tiny amount that he has at present.

Transnational Bribery

11. **Hugh Bayley** (City of York) (Lab): When the Government plan to introduce legislation to reform the law on transnational bribery. [195479]

The Solicitor-General: Last year, the Government asked the Law Commission to undertake, as a priority, a fresh review of options for reform of bribery law and to prepare a draft Bill. Those processes are under way, and they cover both domestic and foreign bribery. The commission produced a consultation paper on 29 November, and its review and Bill should be complete by the autumn. Obviously, we will then have to look at the final proposals, but we will seek to introduce legislation as soon as parliamentary time allows.

Hugh Bayley: When the Government published their next steps paper on reforming bribery law last year, they confirmed that the Attorney-General's consent for prosecution for all bribery offences, including transnational bribery, was to be replaced by the consent of the Director of Public Prosecutions, or the Director of the Serious Fraud Office. That was a very wise decision. Is it still the Government's policy?

The Solicitor-General: As my hon. Friend knows, there has been a review of the Attorney-General's role, which included consideration of the issue of consents, and until we announce our conclusions, which we will do shortly, I am not in a position to say more. However, my hon. Friend has hit on an interesting point. The Attorney-General's consent is required under the Prevention of Corruption Acts. In 2003, it was proposed in the Corruption Bill that we retain that requirement, but the Joint Committee providing pre-legislative scrutiny, of which I was a member, suggested that it should not be

retained. The Law Commission proposes that it remain in place for domestic cases, but not for cases with an extra-territorial element. I should be very glad to have conversations with my hon. Friend on that interesting theme, but I cannot comment on what the outcome of the consultation on the Attorney-General's role will be.

Mr. David Heath (Somerton and Frome) (LD): But is it not entirely improper for a Minister of the Crown with political responsibilities to decide whether people should be prosecuted for corruption? Is it the case that the Attorney-General has again stayed an international corruption case on the basis of political considerations?

The Solicitor-General: I cannot talk about individual cases, but I am not at all aware of the facts that the hon. Gentleman puts forward. I am aware of a number of ongoing cases, one of which awaits a decision, and one of which is coming quite close to conclusion. A number of others are being run by the Serious Fraud Office. No doubt their results will be made public in due course. I do not recognise the description of the case that he raised.

Chris Bryant (Rhondda) (Lab): It is an offence to suborn a police officer, for instance by bribing them to provide information to a national newspaper, yet one editor of a national newspaper has admitted that she has done so, and one former editor of a national newspaper, who now works for the Conservative party, has said that he, too, has paid police officers for information. No prosecutions have ever been brought against a newspaper for paying police officers for information, yet the practice often undermines the criminal justice system. Should there not be reform of the law, so that bribery is dealt with severely?

The Solicitor-General: Bribery must be dealt with severely, from wherever it emanates—and it will be. There are always headlines about cases, but then there is an important, second process called investigating to see exactly what is in the claim. Then there is a process called evaluating to see whether there is a 51 per cent. prospect of securing a conviction. I can assure my hon. Friend that those duties are carried out rigorously.

Fraud Prosecution Policy

12. **Mr. Henry Bellingham** (North-West Norfolk) (Con): When she next expects to meet representatives of the small business sector to discuss policy on prosecution of fraud. [195481]

The Solicitor-General: My noble and learned Friend the Attorney-General met the Federation of Small Businesses in February, when she attended its annual dinner. Earlier, I went to a scambusters conference, which was attended by small business representatives, including the chair of the FSB, John Wright, who lives in Redcar, as it happens, and whom I know extremely well, so there is no difficulty at all about that communication. I think that the FSB is pleased that our strategy will be to engage small business in the process of disrupting, preventing, investigating and prosecuting fraud.

Mr. Bellingham: I thank the Solicitor-General for that reply. It is good news that she is engaging with small firms. Is she aware that the small business community is reporting an increasing number of internet and banking scams? The scam normally involves the firm in question receiving an e-mail from the third-world country saying that funds need to be transferred and asking whether it can help in doing that. Right hon. and hon. Members will be staggered by the number of firms that are taken in by that. Obviously they are very naive, but it is a serious issue that needs to be dealt with. What will she do about it?

The Solicitor-General: One of the tasks of the embryonic national fraud reporting centre will be to perceive the nature of frauds as they develop. It will put together intelligence packages that it will then distribute to try to help businesses to spot the fraud before it happens, and to disrupt it in order to ensure that people are not taken in. The hon. Gentleman has put his finger on an important point.

WOMEN AND EQUALITY

The Minister for Women and Equality was asked—

Domestic Workers (Trafficking)

15. **Mr. Anthony Steen** (Totnes) (Con): If she will meet non-governmental organisations to discuss the treatment of trafficked female migrant domestic workers. [195485]

The Minister for Equality (Barbara Follett): I have already met a number of non-governmental organisations to discuss the trafficking of female migrant domestic workers. This disturbing issue was also raised at a round table event with representatives of non-governmental organisations that I held in October.

Mr. Steen: Is the Minister aware that many hundreds of women come into Britain every year with unscrupulous employers who beat them, bludgeon them, scare them, frighten them into submission and say that if they go to the police they will be deported? To ensure that domestic slavery does not continue to raise its head in Britain, as I believe it already has, will she consider the Home Office's proposal to prevent visas from being transferred from unscrupulous employers to other employers if the women escape?

Barbara Follett: I thank the hon. Gentleman for raising this issue, which has not been aired much in the House. I also thank him for the work that he continues to do on this horrible issue. I will agree to speak to the Home Office—in fact, I speak to the Home Office quite often about the issue. The hon. Gentleman will know that the primary aim of Pentameter 2, which was launched on 3 October, was to recover victims of sexual and domestic exploitation. That work needs to go on and I welcome his support.

Women's Representation

16. **Gordon Banks** (Ochil and South Perthshire) (Lab): What steps the Government are taking to increase the representation of women in political life. [195486]

The Minister for Women and Equality (Ms Harriet Harman): The law that we introduced to allow political parties to use women-only shortlists for selection has been one of the most effective ways of increasing women's representation. On 6 March, I announced our intention to legislate in the new equality Bill to extend the right of political parties to have women-only shortlists until 2030.

Gordon Banks: I thank my right hon. and learned Friend for that answer. On the Labour Benches in this House, more than a quarter of our representatives are women. In Holyrood, one in two Labour MSPs are women. Those overall averages, however, are unfortunately brought down by the representation of women in other parties. Only 25 per cent. of the SNP's representatives in Holyrood are women—

Mr. Speaker: Order. A supplementary question must be short. The Minister might try to answer the question.

Ms Harman: My hon. Friend makes an important point. We want improved representation of women so that the issues of concern to women in this country are reflected not only in the House of Commons but in our local councils, too, in our devolved Parliament in Scotland, in Wales, and in London. It is notable that although we have fewer Labour Members in the Scottish Parliament than the Scots Nats, we have twice as many women Members. Women in Scotland are properly represented by Labour women. The other parties say that they support women's representation but they must get their act together and do something about it.

Philip Davies (Shipley) (Con): If it is so important for the Labour party to have more women in Parliament, can the Minister tell us how many male Labour MPs have agreed to cut short their parliamentary career to give up their seat for a woman? If, as I suspect, the answer is none, can we abandon all this political correctness regarding getting more women into Parliament and just concentrate on people being selected on merit?

Ms Harman: The hon. Gentleman raises the question of merit. Does he think that this Chamber was meritorious and representative when it was, as it was when I was first elected, 97 per cent. men? Then, it was said that it just so happened that all the men in the country were the best people, and they had to be in this House of Commons. The fact is that we have to bring about change so that women are fairly represented. We have made progress on that in our party. We now have 96 Labour women MPs, and the hon. Gentleman's party still has only 17. It is in the interests of everyone in this country and of our democracy that there is fair representation in this House of Commons.

Julie Morgan (Cardiff, North) (Lab): In Wales, 47 per cent. of those in the National Assembly are women, which is one of the highest records in the world. Does my right hon. and learned Friend agree that this was achieved only by the efforts of Labour in Wales, by bringing in twinning, and by being bold and acknowledging the fact that we need people who actually represent the communities whom they represent?

Ms Harman: I absolutely agree with my hon. Friend, and there are three really important issues here. First, it is only with positive action that there has been a difference and an increase in women's representation. Secondly, it is Labour that has taken the lead—whether in Scotland, Wales or other parts of the UK. Thirdly, women's representation has made a difference for women in this country, ensuring that women representatives have been able to put issues of concern such as domestic violence, child care and flexibility at work on our political agenda.

Andrew Mackinlay (Thurrock) (Lab): What message does it send that, of the Ministers who are women, a disproportionate number of them are not paid, compared with that of male Ministers? Should my right hon. and learned Friend not have a word with the Prime Minister, saying that there should be parity of treatment—equal pay for work of equal value—or is the real question whether Ministers should be paid at all?

Ms Harman: The message that it sends is that, while we have made progress, a great deal more still needs to be made.

Mr. Simon Burns (West Chelmsford) (Con): Historically and regardless of political parties, local government has attracted proportionately more women to participate in it than this House has attracted. What lessons does the Minister think we can learn from that, and why does she think that that has been the case?

Ms Harman: In fact, the representation of women in local councils is only about the same as that of women in this House. Historically, there have always been more women in local councils than in this House, but because of the positive action that we have taken, and which has been taken in Scotland and Wales, this House has overtaken that figure. Many of the people who work for local councils are women, providing important local services, as are many of the people who depend on local councils' services because they are caring for young children or older relatives, or are involved in schools or local social services. Because such services are so important to women in local communities, it is quite wrong that we still have so few women in local government. We need to make progress on that, too.

Domestic Violence

17. **James Duddridge** (Rochford and Southend, East) (Con): If she will make a statement on the Government's policy on assistance for victims of domestic violence. [195487]

18. **Mr. Brooks Newmark** (Braintree) (Con): If she will make a statement on the Government's policy on assistance for victims of domestic violence. [195489]

The Minister for Equality (Barbara Follett): I welcome the number of men asking questions in this House today during women's questions. Although there are women here, none of them is asking a question on the Order Paper.

Delivering support for victims of domestic violence is at the heart of the Government's recently published action plan for tackling violence. Over the next three years, we are committed to ensuring that they and their families have access to the help that they need, including with accommodation, specialist counselling and legal and financial advice.

James Duddridge: Will the Minister undertake to review the assistance provided after the police attend a domestic violence incident? Although the forms and bureaucracy may be appropriate during the first visit, they are perhaps unwieldy and not particularly action-oriented if a second visit by the police is necessary.

Barbara Follett: I will look into the matter. I welcome the hon. Gentleman raising it in domestic violence month. As Minister for the East of England, I know that we have had an increase in reports of domestic violence in Essex, but I am glad to say that I would count that as a success, because it means that women are now willing to come forward, rather than suffering in silence.

Mr. Newmark: Does the Minister share my concern that according to Home Office figures, domestic violence almost trebled from 241,00 to 658,000 incidents reported in the past year alone, yet the conviction rate for domestic violence is a paltry 5 per cent.?

Barbara Follett: No. As I said in response to the previous question, we count that as positive because—*[Interruption.]* Well, it means that people are coming forward to report such incidents. For a long time people were too frightened to report, and we are providing support. There has been an increase in convictions in Essex, as I know from my position as Minister for the East of England.

Mrs. Theresa May (Maidenhead) (Con): On the subject of violence against women, some women who suffer from domestic violence find support through rape crisis centres. In the past week I have visited the rape crisis centre in Newcastle and the rape and sexual abuse centre for Merseyside, both unable to provide as full a service as is needed locally because of uncertainties about their funding. On Tuesday the Minister for Women announced in a press release £1 million funding for rape crisis centres. That looked very similar to the announcement nearly two weeks ago by the Home Secretary of £1 million to tackle sexual and domestic violence. Can the Minister confirm that that will indeed be additional money? Can she also confirm over what period the money will be available and exactly how much will be available? Will she guarantee that every penny will go to rape crisis centres?

Barbara Follett: Once again, I welcome the right hon. Lady's interest in the matter, which I share. Like her, I have been visiting rape crisis centres and, with my right hon. and learned Friend the Minister for Women and Equality, I am concerned to ensure their sustainability. That is why we announced the emergency fund. I can confirm that that is new money and that it is long term. We want to make sure that the centres are sustainable. I hope to improve capacity in rape crisis centres and to get them working with the new sexual assault referral centres, which I think is the way forward.

Rosie Cooper (West Lancashire) (Lab): To continue the theme of uncertain funding, in my local area there is a women's refuge which, each year, has to go out with a begging bowl to the district council, primary care trusts and so on. What more support can be given to refuge centres, and what can be done to encourage local councils to take up their responsibility and ensure that they make a major contribution to those centres, which are desperately needed?

Barbara Follett: This is where the new sub-national review gives us an opportunity. Under the local area agreements, we can perhaps influence funding, as long as the sexual and domestic violence sector is ready and able to input into those local area agreements. However, at present only 37.8 per cent. of local authorities have a refuge—that is not good enough—and only a third provide services for victims of domestic violence. In Warwickshire, which is Conservative-controlled, funding for the refuge was cut by half, and in Conservative-controlled Ealing, the funding for Southall Black Sisters is being withdrawn.

Lynne Featherstone (Hornsey and Wood Green) (LD): I welcome the Government's announcement that over the summer they will consider the issue of women who are trying to flee domestic violence but who have no recourse to public funds because of their immigration status, but will the Minister commit to putting emergency funding in place now, because abusers will not wait for Government policy and these women need urgent help right now?

Barbara Follett: Like the hon. Lady, the Government are extremely aware of the acute problems faced by this group, and that is why applications for indefinite leave to remain in the United Kingdom made by victims of domestic violence are prioritised, and where the applicant is destitute we are now waiving fees. It is also why we will shortly be announcing details of a new scheme under which victims of domestic violence with indefinite leave to remain may be able to have their housing and living costs met, but there is more work still to be done in this area.

HOUSE OF COMMONS COMMISSION

The hon. Member for North Devon, representing the House of Commons Commission, was asked—

Drinking Water

24. **Mr. John Spellar** (Warley) (Lab): What the Commission's policy is on the provision of drinking water at meetings held in the House; and if he will make a statement. [195468]

Nick Harvey (North Devon): The Administration Committee last considered the issue of the provision of drinking water in Committee and meeting rooms in March 2007 and concluded at the time that the current practice of supplying bottled mineral water should continue, but I am pleased to report that the Department of Facilities is re-examining the issue with the intention of providing further advice.

Mr. Spellar: I congratulate the Cabinet Secretary and the *Evening Standard* on coming aboard my long-standing campaign to increase the use of tap water against the use of bottled water. The hon. Gentleman's reply is welcome, but I urge a little more urgency on him. This is a major environmental issue and a substantial cost issue. Will he now take steps to give instructions to the administration that tap water should be available at all meetings and in all dining facilities as a proper alternative to bottled water, hopefully with a view to phasing out the use of bottled water?

Nick Harvey: I agree with the gist of what the right hon. Gentleman says. Tap water is widely available in the catering outlets in the estate, but I can assure him that this is being treated with some urgency and that the Department of Facilities is expected to report back soon after Easter.

Sandra Gidley (Romsey) (LD): I share a little concern about this because the water that we all drink comes from my constituency, so I hope that instead of some stringent adherence to the latest political correctness we will be presented with a choice in the future. Can we be reassured that there will be a choice? Tap water should be available, but not at the expense of choice.

Nick Harvey: I will not pre-empt the outcome of the Department's investigation. We will have to wait and see, and decisions will be taken on the basis of cost and environmental considerations when we have the report.

LEADER OF THE HOUSE

The Leader of the House was asked—

Parliamentary Questions

25. **Mr. David Jones** (Clwyd, West) (Con): What assessment she has made of the completeness of information given in answers to parliamentary questions. [195469]

The Deputy Leader of the House of Commons (Helen Goodman): As I have stated in the past, the Leader of the House keeps the quality of Ministers' answers to written parliamentary questions under continuous review.

Mr. Jones: On the assumption that every Whitehall Department has now abandoned the traffic light system that was formerly used to filter out embarrassing questions, will the hon. Lady confirm that she will use her good offices to urge the Treasury to provide me with an unambiguous answer to questions that I have tabled today about the use of No. 11 Downing street by charities, including the Smith Institute, rather than the obfuscatory ones that I have received hitherto?

Helen Goodman: As the hon. Gentleman is aware, all Ministers understand the importance of answering parliamentary questions fully, truthfully and in a timely manner. He has only just tabled those questions, so I am sure that he can expect an answer in accordance with the usual timetable.

Mr. Shailesh Vara (North-West Cambridgeshire) (Con): As regards answers to questions put by Members of Parliament, the House will be aware that it is Government policy to have more out-of-hours GP services. However, when I tabled a written question to the Secretary of State for Health on the number of GPs who operate the service, I was told that that information was not collected centrally. The Government must have the information centrally in order to have made their policy in the first place, so will the hon. Lady urge the Secretary of State for Health to provide the relevant information, or alternatively will she confirm that the policy was made on the hoof without any supporting evidence?

Helen Goodman: Obviously, the hon. Gentleman is aware that questions can be answered only within certain cost limits. However, I undertake to get in touch with the Secretary of State for Health and raise the hon. Gentleman's concerns.

Simon Hughes (North Southwark and Bermondsey) (LD): Will the Deputy Leader of the House talk to the Leader of the House to see whether we could have a much more efficient system to monitor, check, report back on and improve the quality of written answers? I suggest that either the Modernisation Committee or a sub-committee, on a cross-party basis, could do quarterly reports on what the standards should be and whether they are met.

Helen Goodman: The hon. Gentleman is aware that we are waiting for a report on written questions from the Procedure Committee. It will be more appropriate for us to consider the issue that he has raised when we have received that report.

Mr. Simon Burns (West Chelmsford) (Con): Is the hon. Lady aware that many hon. Members believe that if they table difficult questions for the Government, the Government respond to the question that they wish they had been asked, rather than the one that actually was asked? Will she confirm that in the folder with the answers for written questions is a note from the permanent secretary reminding Ministers that the answers have to be factually correct, fit the requirements of the question and be produced swiftly? That was the practice during the Major Government.

Helen Goodman: As I explained in my previous answer, the 1997 parliamentary resolution on ministerial accountability was incorporated into the ministerial code. It is absolutely specific:

"Ministers have a duty to Parliament to account, and be held to account, for the policies, decisions and actions of their Departments and...Agencies".

Oral Statements

26. **Mr. Adam Holloway** (Gravesham) (Con): What the criteria are for deciding to announce Government policy by means of an oral statement; and if she will make a statement. [195470]

The Deputy Leader of the House of Commons (Helen Goodman): In deciding whether to make an oral statement to announce Government policy, the Government will take into account the importance of the issue and the other business before the House.

Mr. Holloway: Has the Deputy Leader of the House or the Leader of the House ever had cause to speak to the Home Secretary, since she entered the Cabinet, to discuss the methods employed by the Home Office to announce policies?

Helen Goodman: We do discuss with Ministers how oral statements are made, to ensure that the House is kept properly informed of policy developments.

Mr. Chris Mullin (Sunderland, South) (Lab): If my hon. Friend is talking to Ministers about statements, she could emphasise to them that they are better made in the House than on the "Today" programme.

Helen Goodman: My hon. Friend is absolutely right. I do not know whether he is aware of the fact that in the 70 sitting days of this Session, there have been 39 oral statements, and that we gave notice of 20 of those. That means that 20 were flagged up on the Order Paper. Obviously, that leads to media stories and speculation, which are clearly outside the Government's control.

HOUSE OF COMMONS COMMISSION

The hon. Member for North Devon, representing the House of Commons Commission, was asked—

Parliamentary Recording Unit

27. **Jo Swinson** (East Dunbartonshire) (LD): What the rules are governing the use of material provided by the parliamentary recording unit. [195471]

Nick Harvey (North Devon): The rules largely date back to the regulations that govern the admission of cameras to the Chamber. The Member may use only material featuring themselves or a reply from a Minister to their question, and contributions to the debate on an issue raised by the Member. The clip should display the portcullis logo, and the Member should acknowledge copyright and ensure that the material is not downloadable. Members may use recordings of proceedings on their own parliamentary website, but not on any third party hosting website.

Jo Swinson: Parliament should be embracing new technology as a way to reconnect with the public. Is it not about time that we ditched the ridiculous ban on parliamentary clips being shown on YouTube? Sites such as YouTube are popular and accessible; if there is a copyright issue, will the House authorities review the current contracts and bring Parliament into the 21st century?

Nick Harvey: Copyright is only part of the point that I am making. Obviously, the costs of the pictures recorded in the Chamber are also part of the contract. The other issue is to do with the manipulation of pictures taken in this Chamber. That comes back to the issue of the rules that govern the admission of cameras into the Chamber. At the moment, the rule is that the clips can be streamed to be viewed in real time, but not downloaded in such a way that they could be manipulated later.

LEADER OF THE HOUSE

The Leader of the House was asked—

European Union (Scrutiny)

28. **Mr. David Heath** (Somerton and Frome) (LD): What plans she has for new procedures to enable the House to conduct the scrutiny function for national Parliaments set out in the treaty of Lisbon. [195472]

The Deputy Leader of the House of Commons (Helen Goodman): As I said to the House during the debate on 26 February on the Bill to enable ratification of the EU treaty,

"We will work with both Houses to ensure that there is an effective mechanism, and we will also ensure that there is an opportunity for a decision before the Lisbon treaty comes into force."

I also said that we would examine this alongside the review of

"the new scrutiny arrangements that we established last month." [*Official Report*, 26 February 2008; Vol. 472, c. 977.]

On 13 March, the Lords European Union Committee published a report, "The Treaty of Lisbon: an impact assessment", setting out its views on the yellow and orange card mechanism. We will take that into account, alongside the findings of the forthcoming inquiry by the Commons European Scrutiny Committee.

Mr. Heath: I think that it is fair to say that opinions differed on the treaty of Lisbon, but the one thing that was welcomed in all parts of the House was the additional powers of scrutiny conferred by the treaty—not on the Executive but on Parliament, giving Parliament the chance to constrain some of the activities of the European Union when it did not show subsidiarity. Will the hon. Lady ensure that we have an appropriate mechanism that does not just send this to some Committee a long way away from the Floor of the House where nobody knows exactly what is going on, but gives this House and this Chamber centrality in the issue of what should be decided at European level and what should be decided by this Parliament?

Helen Goodman: The hon. Gentleman makes some reasonable points. As I said, it will be a matter for each House to decide how it plays its cards. Of course, the European Scrutiny Committee will maintain its role in making an initial scrutiny of the documents, and we anticipate that the explanatory memorandums produced by Government Departments will highlight the subsidiarity point more fully than is the case currently. Furthermore, when we come to look at this we will consider a number

of issues, including the role of the whole House, what to do during long recesses, and the scope that there may be for inter-parliamentary co-operation through the CCSAC mechanism.

Parliamentary Questions

29. **James Duddridge** (Rochford and Southend, East) (Con): What assessment she has made of the completeness of information given in answers to parliamentary questions. [195473]

The Deputy Leader of the House of Commons (Helen Goodman): I refer the hon. Gentleman to the answer that I gave earlier.

James Duddridge: The Minister will be aware that certain Ministers within each Department take lead responsibility for written questions. Do those Ministers meet and share best practice, and is there a document that outlines that best practice, or do Government Departments operate in silos, given that certain Departments are much better than others?

Helen Goodman: As the hon. Gentleman understands, where Government Departments have shared interests and shared policy responsibilities, of course they carry those forward together and discuss not only policy development but what appropriate announcements should be made to this House.

Topical Questions

30. **Mr. Philip Hollobone** (Kettering) (Con): What assessment she has made of the effectiveness of the procedure for topical questions. [195474]

The Deputy Leader of the House of Commons (Helen Goodman): There is no formal assessment. However, the new approach appears to be working well.

Mr. Hollobone: May I urge the hon. Lady to undertake an assessment to highlight some of the problems that we are having with topical questions? For example, under the old system, in any typical 60-minute departmental Question Time each Member of this House had the opportunity to ask one question. Now, it is increasingly the case that some Members get the chance to ask two questions, while others lose out altogether.

Helen Goodman: Obviously, who is called during topical questions is a matter for the Speaker. However, I think that there was a consensus that the introduction of topical questions would help to ensure that questions that had arisen very shortly before Question Time could be answered fully. Notwithstanding the points that the hon. Gentleman makes, by and large most hon. Members are happy with the current practice.

Topical Debates

31. **Mr. Andrew Robathan** (Blaby) (Con): If she will take steps to pass responsibility for the arrangements for the selection of matters for topical debate to the Chairman of Ways and Means; and if she will make a statement. [195475]

The Deputy Leader of the House of Commons (Helen Goodman): My right hon. and learned Friend the Leader of the House announced a review of the operation of topical debates in a written ministerial statement on 7 February. The hon. Gentleman can submit his views to that review. The results will be published before the summer recess.

Mr. Robathan: These are my views, so I hope that the Leader of the House will take note of them. I suggested the Chairman of Ways and Means in my question because I know that you are very busy, Mr. Speaker. The point is, however, that topical debates are currently decided by the Government based on what they feel like—what announcement the Prime Minister made on Monday—instead of issues of topicality. If these debates are to be topical and useful to the House of Commons, we should have issues that can be debated seriously in this House, that mean something and that are topical, instead of some Government stooge debate. We need proper debates: ones that the House wants, not ones that the Leader of the House or the Government want.

Helen Goodman: The hon. Gentleman should take a more balanced view of the matter. On 7 February, the topical debate was on NHS staffing—a suggestion of his colleague, the right hon. Member for Maidenhead (Mrs. May). We have also discussed Holocaust memorial day, Kenya, preventive health services, availability of financial services for low-income families, the health consequences of the availability of cheap alcohol, future prospects for apprenticeships and climate change. The first topical debate was also based on a suggestion from his right hon. Friend; it was on immigration.

Business of the House

11.30 am

Mrs. Theresa May (Maidenhead) (Con): May I ask the Leader of the House to give us the forthcoming business?

The Leader of the House of Commons (Ms Harriet Harman): The business for the week after the Easter recess will be:

TUESDAY 25 MARCH—Opposition day [8th allotted day]. There will be a debate entitled "Iraq Inquiry" on an Opposition motion followed by motion to approve the Local Government Finance Special Grant Report (No. 129) (House of Commons Paper No. 256)

WEDNESDAY 26 MARCH—Second Reading of the Local Transport Bill [*Lords*].

THURSDAY 27 MARCH—Topical debate: Subject to be announced, followed by motion relating to the parliamentary contributory pension fund, followed by motion relating to the Seventh Report of the Standards and Privileges Committee.

FRIDAY 28 MARCH—The House will not be sitting.

The provisional business for the week commencing 31 March will include:

MONDAY 31 MARCH—Motion to approve a Ways and Means resolution on the Housing and Regeneration Bill, followed by remaining stages of the Housing and Regeneration Bill, followed by motion to consider the Northern Rock plc Transfer Order 2008.

TUESDAY 1 APRIL—Second Reading of the Counter-Terrorism Bill.

WEDNESDAY 2 APRIL—Opposition day [9th allotted day]. There will be a debate on a Liberal Democrat motion. Subject to be announced.

THURSDAY 3 APRIL—Topical debate: subject to be announced followed by motion on the April recess adjournment.

I should also like to inform the House that the business in Westminster Hall for 3 April and 24 April will be:

THURSDAY 3 APRIL—A debate on the report from the Foreign Affairs Committee on Global Security: Russia

THURSDAY 24 APRIL— A debate on the report from the Culture, Media and Sport Committee on ticket touting.

The House may wish to be aware that earlier today I issued a written ministerial statement announcing publication of "Post-legislative Scrutiny—The Government's Approach". It will provide that three years after this House has passed legislation, there will be a process of scrutiny to enable us to be sure that an Act did what we intended.

Mrs. May: I thank the right hon. and learned Lady for giving us the forthcoming business and I look forward to future discussions on the important subject of post-legislative scrutiny and the way in which Government proposals operate.

All hon. Members will have been concerned by recent events in Tibet. Yesterday, my right hon. Friend the Leader of the Opposition welcomed the Prime Minister's decision to meet the Dalai Lama when he is in London, but many hon. Members still want an opportunity to discuss the issue. Can we have a topical debate on Tibet next week?

This week, the National Audit Office released figures showing that Britain's climate change emissions are 12 per cent. higher than the levels cited in Government figures. We have also learned that the Department for Environment, Food and Rural Affairs—the Department responsible for reducing Britain's CO_2 emissions—is the worst performing Department for energy efficiency. May we have a statement from the Secretary of State for Environment, Food and Rural Affairs explaining why the Government have made so little progress on cutting CO_2 emissions, and why his Department is setting such a bad example?

Last year, we proposed amendments to the Statistics and Registration Services Act 2007, which would have significantly reduced the scope for political manipulation of data. The Government rejected them; now we know why. The Statistics Commission has lambasted Government Departments for politically driven misuse of statistics—otherwise known as spin. One of the worst offenders was the Children, Schools and Families Department, and last week it was at it again: hiding school admission figures and attacking schools for demanding money for places based on nothing more than unverified desk research. May we have a debate on the use of Government statistics?

On Monday, Dame Carol Black's report, "Working for a Healthier Tomorrow", revealed the shocking true cost to the economy of Labour's failure to tackle worklessness caused by sickness—£100 billion. After 10 years of a Labour Government, Dame Carol labelled the number of people on incapacity benefit as

"an historic failure of healthcare and employment support",

so may we have a debate on that historic Government failure?

In 1997, the Government's pledge card promised smaller class sizes and the Prime Minister is now promising personalised learning for every child, but it seems that no one has told the Schools Minister, who yesterday told a conference that class sizes of 70 were acceptable, so may we have a debate on Government policy on class sizes?

In the past few weeks, a number of hon. Members have called for a debate on London. This week, another scandal has hit the Labour Mayor of London. We have now discovered that Ken Livingstone has not registered a single donation with the Electoral Commission for the past seven years. His campaign team insists that all moneys raised come through the Labour party, so do not have to be declared, but his official website asks for cheques to be made payable to the "Ken Livingstone campaign fund". What on earth is the Mayor trying to hide? May we have a debate on London?

Last night, 64 Labour MPs voted to support post office closures despite campaigning in their own constituencies to keep post offices open. Are not those double standards the very reason why so many people are turned off politics? Post offices are often the linchpin of local communities, so may we have a debate on sustainable local communities?

[Mrs. May]

Finally, in yesterday's debate on the Post Office, my hon. Friend the Member for Rutland and Melton (Alan Duncan) quoted a poem that had come into his possession from Downing street. I would like to suggest another version of that poem:

At Downing street the other day
I met a man sent on his way.
Close to Gordon for many years,
The PM's rants brought him to tears.
But for all this he didn't care,
He was pleased to see his master there.
He'd been important once, you know,
Now Carter told him, "You must go!".

Misusing Government figures, wasting taxpayers' money, reneging on promises, Ministers campaigning against their own Government, chaos at No. 10: is not that why no one trusts this Government on anything any more?

Ms Harman: I do not know about the right hon. Lady's constituents, but I know mine are more interested in sound money than in soundbites, and they would prefer competence to her version of comedy.

The right hon. Lady asked about Tibet, and she acknowledged that the issue was raised with the Prime Minister by the Leader of the Opposition yesterday. It is a matter of continuing concern to the Prime Minister and to the Foreign Secretary, and no doubt hon. Members will have further opportunities to raise questions with the Prime Minister—and, indeed, with the Foreign Secretary in oral questions next week. I note the right hon. Lady's proposal to make Tibet a subject for a topical debate.

The right hon. Lady asked about the Government's approach to climate change, and I would remind her that the Government are taking unprecedented action to tackle carbon emissions. Through the Climate Change Bill, which will come before the House for debate shortly, we propose to set in law a ceiling on carbon emissions, which is unprecedented in the world. As well as Government Departments scrutinising their carbon emissions, we in the House also need to ensure that we reduce waste and energy use. My hon. Friend the Deputy Leader of the House is to work with the House authorities on that, so I invite hon. Members to put to her their proposals on how the House can become greener and more energy-efficient. We, too, can make a contribution and lead by example.

The right hon. Lady talked about statistics. Public confidence in the independence of statistics is very important. The Government have made changes in that respect. The Statistics Board will be overseen by the Public Administration Committee, which will reassure her and the House.

The right hon. Lady talked about school admissions and class sizes. May I remind her and the House that a third of children in primary school were in classes of more than 30 when we came into government? That number is now down to 2 per cent. We now have 30,000 extra teachers and 130,000 extra teaching assistants. We have the best ratio ever between teachers and children in classes. The Schools Minister did not say that he thought that there should be 70 in a class.

Mrs. May: He said that it was acceptable.

Ms Harman: He did not say that; he just remarked on an innovatory way of dealing with—*[Interruption.]* Well, I am just telling the right hon. Lady and the House what he said. He has been misquoted. Government policy is to have more teachers and teaching assistants, smaller class sizes and more investment in education, and we have been getting on with providing that.

The right hon. Lady mentioned worklessness. We have been concerned to ensure that we have a strong and stable economy with more jobs, and I am glad to report to the House that the figures published yesterday show a record number of jobs in the economy. In the last quarter, the number of jobs in the economy went up again, but there is a problem in terms of those who are on incapacity benefit, who perhaps want to and could work. For many years, when her party was in government, people were encouraged to go on to incapacity benefit to conceal rising unemployment. Although the number going on to incapacity benefit is reducing, a large number have been on that benefit for a long time. Therefore, through jobcentres and private and voluntary organisations, we must look to every individual, ask what their capacity is and see whether the many programmes available can help them into work.

The right hon. Lady threw around some allegations about the Labour Mayor of London, which gives me the opportunity to say that I am confident that all the declarations have been properly made. I seem to remember that the Tory candidate for Mayor of London—despite the fact that he represents an Oxfordshire constituency—was on one of the Electoral Commission lists of people who had not made declarations and had to make them late. I might be wrong, but that is my recollection.

The right hon. Lady mentioned post offices. As she will know, we had an extensive debate on that subject yesterday on an Opposition motion, which gave everybody an opportunity to discuss the issue. Were we to follow her Government's policy of not providing a subsidy to the Post Office, we would not have 11,500 post offices continuing in business as will now be the case; we would have only 4,000. If the country is to have 11,500 post offices, it is important that the right ones stay open. That is why the consultation is so important, and that is why I have put forward the case to the Post Office that the Gibbon road post office in Nunhead should be one of the 11,500 that remain open.

Mr. Dennis Skinner (Bolsover) (Lab): Will the Leader of the House confirm that although investigations and decisions are already taking place on party political expenditure and many suggestions are being made about curtailing Members' expenses, there is one big gap in the programme? It is high time we took the opportunity, possibly through a statement, to make sure that Members of Parliament have one job and one job only. There are more than 100 Tory MPs lining their pockets on the side, including some on the Front Bench. It should be one Member of Parliament, one job, with no conflict of interests. The climate is right and the press will deal with it, so let us get on with it.

Ms Harman: My hon. Friend has made a good point. Being a Member of Parliament is an important job, and our constituents expect us to give it our committed attention. I expect my hon. Friend's point to be the subject of debate in the House, and I am glad that he has raised it.

Simon Hughes (North Southwark and Bermondsey) (LD): Today is the fifth anniversary of the invasion of Iraq. A Bill is about to be presented by my hon. Friend the Member for Kingston and Surbiton (Mr. Davey) calling for an inquiry into what happened in Iraq, and next week a debate using Opposition time will raise the need for such an inquiry. Will the Leader of the House talk to the Prime Minister and the Secretary of State for Defence to ensure that after next Tuesday's debate it will be announced, in the light of the views expressed by Parliament, that we can have—in a way that will meet the wishes of Parliament—the sort of inquiry into the events of five years ago and since that I think the country deserves and needs?

May we also have a debate on a separate but linked issue, that of coroners' inquests generally and inquests into the deaths of service personnel in particular—not least in order to ensure, on behalf of the families of people like the late Private Jason Smith, that the Government do not seek to intervene to prevent coroners from speaking as they find, and that the relatives of the victims of events such as the 7 July bombings do not discover that the inquests into their loved ones' deaths took place behind closed doors without the possibility of public and general knowledge of how their relatives died?

Yesterday we had what I thought was an excellent debate on post offices, to which 83 Members contributed, and since the Queen's speech there have been six Adjournment debates, more than 70 oral parliamentary questions and nearly 250 written questions on the subject. As Members are still hugely concerned about the failure of their local consultation processes to deliver the right results, will the Leader of the House establish whether the topical debate the week after next could deal with post office closures? The time allowed for yesterday's debate was clearly not sufficient. Given that the Government lost 19 of their supporters, who voted with the Opposition, and that the majority is now down to 20, will she also establish whether they can come up with a more satisfactory response to the widespread concern that exists through the House?

I support the request from the right hon. Member for Maidenhead (Mrs. May) for next week's topical debate to deal with Tibet, but may we have a debate on China generally before long? In this of all years there is a huge interest in relations between the United Kingdom and China, which really ought to be aired on the Floor of the House.

The hon. Member for Gosport (Peter Viggers) confirmed earlier that according to the best available figures, one elector in 10 in England and up to one in five in London may not be registered. Six weeks before the elections in England and Wales, we also know from the judge who disqualified a Conservative councillor in Slough on Tuesday that the postal vote system is "lethal to the democratic process".

May we please have an urgent debate in the next couple of weeks so that, once and for all, we can not only encourage people who should be on the electoral register to put their names on it, but change a system that allows widespread abuse because we do not have individual voter registration in this country?

Ms Harman: The hon. Gentleman asked about Iraq. As I announced, there will be a debate on Iraq next week, in which Members will be able to put their points about inquiries. I remind Members, however, that we have already had four inquiries into the events leading up to the use of force in Iraq, and my right hon. Friend the Prime Minister has said that an inquiry will be held when we have completed the process—which is well under way—of withdrawing from Iraq, on the basis that its security forces and police are able to provide security for the people of Iraq. As well as bearing in mind the very regrettable loss of life, I ask Members to remember the sight of people queuing to vote in elections, which were made possible by Saddam Hussein's removal. Members should also recall that there was a 70 per cent. turnout, showing the enthusiasm of the Iraqi people for their new democracy.

The hon. Gentleman asked about coroners' inquests. It will be possible to raise questions about how inquests deal with material that has national security implications in the Second Reading debate on the Counter-Terrorism Bill on 1 April.

The hon. Gentleman mentioned post offices. That will remain an important issue right up until the end of the consultation process when the Post Office announces its decision. As he reminded us, there was a full day's debate on the matter yesterday, so I cannot say that there will be further parliamentary time to discuss it, especially as there are a number of important Bills coming forward that the House must be able to scrutinise.

The hon. Gentleman asked about Tibet and China. He will have heard that the shadow Leader of the House suggested it as a subject for a topical debate, and we will consider that.

The hon. Gentleman raised the important point of the number of people who are eligible to vote but who are unable to do so because they are not on the electoral register—he mentioned the statistics that show that one in 10 electors outside London and as many as one in five in London may not be registered. He will know that we passed the Electoral Administration Act 2006 to place a duty on electoral registration officers to do everything they can, including using data that they hold, to ensure that everybody in their area is properly on the electoral register. The question he raised, however, was whether enough has been done to ensure that everybody is entitled to vote. I know that he shares my concern that the people who are least likely to be on the electoral register are those who are young, those who are black, and people who live in rented accommodation or in inner cities. We cannot have the continuing unfairness in our democracy that people are more likely to be on the electoral register and able to vote if they are over 50, live in a non-metropolitan area, own their own home and are white. That is a problem.

I will continue my discussions with my right hon. Friend the Secretary of State for Justice to see whether we can tackle the twin problems of under-registration

[Ms Harman]

and bogus registration, and whether measures can be put in place to use the data that Government and local government hold. I know there is a lot of concern about the cross-use of data, but it can be used for good purposes, such as to ensure that those who are entitled to be registered are registered, and that nobody who is not entitled to be registered gets themselves on the register for the purposes of electoral fraud.

Mr. Kevan Jones (North Durham) (Lab): May we have a wider debate on the Coroner Service? A draft Bill on the subject was presented in the last Parliament, followed by a Select Committee report on that Bill. The issue is high on the political agenda, particularly for many military families who are suffering long delays in getting the answers they need. Those delays are the result of an archaic system that is long overdue for reform.

Ms Harman: I agree with my hon. Friend that it is important to improve the Coroner Service so that bereaved relatives can get answers to their questions, particularly when those relatives have died abroad. I also agree that improving the Coroner Service is part of our military covenant. We will publish our draft legislative programme at the end of May setting out what will be in this year's Queen's Speech, and I know that my hon. Friend will be hoping and expecting that a coroners Bill will be included in that draft legislative programme.

Mr. Mark Lancaster (North-East Milton Keynes) (Con): The 100th anniversary of the formation of the Territorial Army falls on 1 April. I for one am very proud to serve in the TA and would resist any efforts by the hon. Member for Bolsover (Mr. Skinner) to make me leave it. May we have a debate to celebrate its 100th anniversary, because this House has a long association with it—not least, for example, through Colonel Macnamara, to whom there is a memorial on the wall here, and who was the commanding officer of the Royal Irish? May we have such a debate to send a clear message to the TA that the House of Commons supports it?

Ms Harman: The hon. Gentleman will have heard my right hon. Friend the Prime Minister paying a heartfelt tribute to the Territorial Army in Prime Minister's questions yesterday. I take on board the hon. Gentleman's proposal for a debate on the TA, and I will consider it as a subject for a topical debate.

Mr. Fraser Kemp (Houghton and Washington, East) (Lab): Will the Leader of the House consider making time available for a discussion of the recently published Network Rail document on the rail utilisation strategy, so the House can welcome the inclusion in that document of the Leamside line, recognising the social and economic benefits that that line, as part of an expanding UK rail network, would bring to the constituencies of many Members representing the north-east?

Ms Harman: My hon. Friend underlines the importance of the economic regeneration of the region in which his constituency lies. Transport links are crucial to that regeneration. He has mentioned one of them, and I will raise that with my right hon. Friend the Secretary of State for Transport. He might also apply for an Adjournment debate on the issue.

Mr. Speaker: I call the hon. Gentleman on the Liberal Democrat Benches—John Hemming.

John Hemming (Birmingham, Yardley) (LD): Thank you, Mr. Speaker; I am very small and insignificant—who am I?

On Monday, a group of six non-governmental organisations launched a document relating to grandparents' rights and how they tend to be excluded from family proceedings by the rules in both private and public law. May we have a debate on the operation of family law, and specifically on the role of grandparents and members of the extended family, such as great-grandparents, uncles and aunts?

Ms Harman: I suggest that the hon. Gentleman might ask his parliamentary colleagues to put that forward as a subject for an Opposition day debate, as his party has one coming up. I strongly agree with what he says, and we should recognise that many families could not cope without grandmum and granddad pitching in. When in the past we have provided support for families with children, we have been criticised by some as the "nanny state"; as we are putting much greater emphasis on, and giving more recognition to, the role of grandparents, I hope we are subsequently called the "granny state" and I would be proud if that were to happen.

Mr. Chris Mullin (Sunderland, South) (Lab): Instead of having a debate solely on Tibet, may we have a wider debate on UK relations with China, which would of course cover Tibet, but also how we might engage constructively with the Chinese on a range of issues from climate change to their activities in Africa and their support for the Burmese regime?

Ms Harman: My hon. Friend makes an important point and I will see whether there is an opportunity for such a discussion. As he says, UK relations with China are very important in many contexts such as our concern about Darfur, the global economy, climate change and our relations with it as an emerging and strongly growing economy. I will raise this matter with my right hon. Friend the Foreign Secretary.

Damian Green (Ashford) (Con): Will the Leader of the House arrange for the Secretary of State for Transport to make a statement to the House on the future of Operation Stack, the wretched and ill-conceived system that parks thousands of lorries on the M20 whenever there are problems at the channel ports, not only thereby causing huge misery to my constituents and everyone else in Kent, but blocking one of the principal freight routes into this country? Kent county council has made a suggestion for a new lorry park, which would help alleviate the situation, but that will not happen unless the Department for Transport takes a positive view. Therefore, it is important that we hear that the Secretary of State will get behind the idea, and for once take some effective action to get the traffic flowing.

Ms Harman: I suggest that the hon. Gentleman table a written or oral question to my right hon. Friend the Secretary of State for Transport, if he has not already done so. In any event, I shall raise the matter with her and ask her to write to him.

Mr. Ian Cawsey (Brigg and Goole) (Lab): Can the Leader of the House find time for a debate on police service reorganisation? Earlier this week, Humberside police authority backed its chief constable's plan in the next few years to reduce the number of police officers by 300 and to increase the number of support staff by 400, thus, he says, releasing 20,000 hours of extra policing on to the streets. That is clearly a complex formula, and I shall be meeting the chief constable to discuss it. He says that it results from the Flanagan review, which the Home Office undertook earlier in the year, so I think that the formula will go to other police forces around the country. All hon. Members would find a debate on it most opportune, so can the Leader of the House arrange one?

Ms Harman: I shall bring my hon. Friend's point to the attention of my right hon. Friend the Home Secretary. A great deal more has been invested in the police, with the sole purpose and intention that neighbourhood policing should be rolled out from 1 April in every community in this country. Obviously, we want good police community support and good civilian back-up in police stations, but that is no substitute for good neighbourhood policing, and I shall bring the matter to my right hon. Friend's attention

Mr. John Hayes (South Holland and The Deepings) (Con): Earlier this week, stung by well-argued and widespread criticism, the Government announced by means of a written statement and a White Paper that they intended to abolish the Learning and Skills Council. They are to replace it with a series of other quangos and bureaucrats. That has not been debated in the House, but it certainly should be, so that the case can be made for a deregulated system of further education that can raise skill levels in this country, elevate practical learning and give better life chances to millions of the people whom we represent.

Ms Harman: Obviously, we are concerned to ensure that every young person—and, indeed, every adult who wants the opportunity to continue their education—in every part of the country is given the opportunities that they have not necessarily had in the past. That is why we are increasing the education leaving age to 18—I hope that the hon. Gentleman supports that—and why we are dramatically increasing the number of apprenticeships. I shall look into the specific points that he made and ask the relevant Secretary of State to write to him.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): The Leader of the House will be aware that in excess of £8 million has been spent on upgrading the press facilities in this House. Will she inform the House what evidence there is to suggest that taxpayers are getting value for money?

Ms Harman: The amount spent by this House on facilities for the Lobby is published on an annual basis, so on the basis of that transparency, it is for the public to judge whether they are getting good value for money.

Mr. Andrew Mackay (Bracknell) (Con): May I tempt the Leader of the House to be a bit more enthusiastic about having a debate on Tibet? She merely says that she notes that it might be a subject for a topical debate, but that is not very enthusiastic. Can she tell me any subject that is likely to be more topical next Thursday than what is going on in Tibet?

Ms Harman: The important thing is to give the House the opportunity to debate something that is of absolute topicality in the week in which it is to be debated. It would not be right for me to announce today the subject of next week's topical debate. I deal with the question of Tibet with absolute seriousness, and the Prime Minister set out the approach yesterday. I note that the right hon. Member for Bracknell (Mr. Mackay) has joined the other hon. Members who have expressed their concern and proposed it as the subject of a topical debate.

Mr. Gordon Prentice (Pendle) (Lab): May I follow up the point made by the hon. Member for North Southwark and Bermondsey (Simon Hughes) about electoral fraud? We have heard about the case involving the Conservatives in Slough, but this affects all political parties, including the Liberal Democrats and even the Labour party. I make a plea that we urgently address the concerns of the Electoral Commission and Sir Christopher Kelly, the newly-appointed chairman of the Committee on Standards in Public Life, because the issue will not go away. May I also make a plea for individual voter registration?

Ms Harman: Again, my hon. Friend makes an important point, which I shall bring to the attention of my right hon. Friend the Justice Secretary. It is fundamental to our democracy—both our local democracy and the legitimacy of this House—that everyone who is eligible to vote is able to do so because they are on the register and that nobody who is not entitled to vote is on the register and thus able to corrupt the system.

Mr. Philip Hollobone (Kettering) (Con): On 24 October last year, a special debate took place in Westminster Hall on illegal immigration. The Home Office Minister present in that debate made a commitment that the Border and Immigration Agency was liaising with chief constables to ensure that when illegal immigrants jumped off the back of a lorry they were not simply asked to make their own way to Croydon to get their claims processed. Yet in recent weeks incidents have taken place in both Cambridgeshire and Bedfordshire in which illegal immigrants have been set free. Can we have a Home Office statement about what the Government policy is on these lorry-drop immigrants?

Ms Harman: I shall ask my right hon. Friend the Home Secretary to write to the hon. Gentleman and place a copy of her letter in the House of Commons Library. As I said last week, the allegations made about

[Ms Harman]

the Cambridgeshire case were simply not true; I do not know about the Bedfordshire case, and shall raise it with my right hon. Friend, but those other allegations, which were so concerning, were simply not based in fact.

Mr. Marsha Singh (Bradford, West) (Lab): Is the Leader of the House aware that Sheikh Hasina Wajid, a former Prime Minister of Bangladesh and leader of the Bangladeshi Awami League, has been languishing in jail for the past eight months on trumped-up charges without the prospect of any kind of trial? In addition, she is seriously ill and has been refused hospital treatment. Will my right hon. and learned Friend ensure that the British Government make appropriate representations to the Government of Bangladesh and get Sheikh Hasina Wajid released as soon as possible?

Ms Harman: The issue that my hon. Friend raises is a matter of concern to the Foreign Office and it is being kept under consideration. I believe that it has been raised with the Bangladeshi authorities by this Government.

Sir George Young (North-West Hampshire) (Con): I welcome the announcement by the Leader of the House that we will have a topical debate next Thursday, but it is the first one for some time. Last Thursday, I was told that we could not have one because of the Budget debate, which ended early, and that we could not have one today because of the Commonwealth debate, which I hope will run until 6 pm. Should the question whether or not we have a topical debate really rest on the whim of the Leader of the House?

Ms Harman: Topical debates take place in Government time, so this is not about a whim. We did not have a topical debate on the day when the other business was the Budget because the Opposition, and indeed a number of other hon. Members, said that they would rather the Budget be the subject of the whole day's debate and that we should not take an hour and a half out of it for a topical debate. The right hon. Gentleman points out that that debate went short, but it is not always possible to predict these things. When the Opposition ask us not to have a topical debate and instead to devote the time to the Budget debate, we take the suggestion seriously.

The right hon. Gentleman has mentioned international women's day, when we did not have a topical debate. We did not want to take one and a half hours out of the debate on international women's day, in which many speakers contributed to a very good debate. Many hon. Members have asked for issues associated with Commonwealth countries to be the subject of a topical debate, so it would seem counter-productive to cut into the Commonwealth debate with a topical debate lasting an hour and a half.

As the right hon. Gentleman knows, I am reviewing the question of topical debates. If we decide to suggest any change, we will make the proposals before the summer. This is not an exact science, but I assure him that my concern is to do what the House wants in respect of ensuring that there is an opportunity to debate something topical that the House has not had the opportunity to debate in a given week.

Andrew Mackinlay (Thurrock) (Lab): May we have a debate on the oleaginous and supine approach of BBC news editors to BBC management? Did my right hon. and learned Friend notice this morning, in bulletin after bulletin, how they went on about Formula 1 being won by the BBC? The question that they did not ask was how much the licence payer would have to pay for something that could and should be provided on commercial television, with the licence money being diverted to promoting real, competitive sports, rather than the wealthy industry that is Formula 1. Is it not time that BBC news editors were brought to book? They should be probing BBC management rather than crawling to it.

Ms Harman: I will raise the points that my hon. Friend makes with my right hon. Friend the Secretary of State for Culture, Media and Sport. I am sure that the top brass will have heard those comments loud and clear.

Mr. Deputy Speaker (Sir Alan Haselhurst): Perhaps I should observe that hon. Members should make some effort to relate their question to next week's business.

Lynne Featherstone (Hornsey and Wood Green) (LD): Local shops and businesses produce a huge amount of waste that usually does not get recycled. Local councils, including Haringey, are not taking up that issue. The Government have not considered it since 2003, and it might be useful if the House had a debate about how we support local councillors in addressing the huge swathe of business recycling that is not being done.

Ms Harman: Many local councils, and certainly Labour councils, have been working very hard, with the support of the Department for Environment, Food and Rural Affairs, to increase recycling rates, but I will raise the points that the hon. Lady makes with my right hon. Friend the Secretary of State for Communities and Local Government and my right hon. Friend the Secretary of State for Environment, Food and Rural Affairs.

Julie Morgan (Cardiff, North) (Lab): I welcome the Prime Minister's statement about Tibet yesterday, and I am especially pleased that he will meet the Dalai Lama when he comes to the UK in May. I had the honour of meeting the Dalai Lama in Dharamsala towards the end of last year, and I am sure that we all admire the peaceful lead that he provides in this difficult situation. I echo calls for a debate, but will my right hon. and learned Friend the Leader of the House have any role in helping to arrange for the Dalai Lama to address both Houses of Parliament when he comes to this country?

Ms Harman: I will look into the point that my hon. Friend makes, because I am sure that it will be of interest to many hon. Members. If there is any outcome, I will write to her and place a copy in the Library so that all hon. Members can see what the arrangements are.

Mr. Rob Wilson (Reading, East) (Con): The Leader of the House will be aware of the grave concern across the House about the expansion of Heathrow and the third runway. It certainly has great implications, both

good and bad, for my constituents. An interesting independent report, which was published this week, questions the economic assumptions made by the Department for Transport, and environmental groups have also expressed grave concerns about the detailed evidence that the Government are using. I raised this issue with the Leader of the House about three weeks ago, when she said that there had been a large number of responses to the consultation. Can she give us an assurance today that there will be a debate in Government time about this important issue?

Ms Harman: I cannot make an announcement at this point about how the response to the consultation will be dealt with, but as I said there have been a very large number of responses to this consultation, and they are being carefully reviewed by Departments.

Kelvin Hopkins (Luton, North) (Lab): My right hon. Friend may have seen the report prepared for the TUC by tax expert Richard Murphy, setting out the case that £33 billion is lost through tax fiddles. She may also have seen a report by Her Majesty's Revenue and Customs, showing that VAT losses from fraud are £14 billion and that losses from tobacco smuggling alone are £3.5 billion. Could we have a full debate on all the losses to the Treasury and how the public purse is being ripped off, so that we can address ways to counter that?

Ms Harman: I know that this issue was raised in the Budget debate earlier this week. The Treasury is very concerned to make sure that taxes are fairly applied and that those people who are in a good position to pay them do not avoid doing so.

Mr. Edward Garnier (Harborough) (Con): May we please have an early debate in Government time on night flights into and out of East Midlands airport in Leicestershire? Last year, there were 20,000 night flights, between the hours of 11 pm and 7 am, and that figure will increase to 27,000 by 2016. I urge my hon. Friend the Member for Reading, East (Mr. Wilson) not to hold his breath, because there has been a marked lack of interest from the Government and the Department for Transport in that issue, despite the fact that there has been huge public disquiet about the activities of East Midlands airport and the disturbance and environmental damage caused by night flights there.

Ms Harman: There is certainly no lack of interest in the Department for Transport in the question of noise from airports. If the hon. Gentleman requires further responses from the Minister concerned and the opportunity to debate further, he can apply for an Adjournment debate on the subject.

Hugh Bayley (City of York) (Lab): Next week is the last week in the Government's financial year, and it looks as if the York Hospitals NHS Foundation Trust will end the year by clearing its deficit and the North Yorkshire and York primary care trust will have reduced its deficit and achieved a recurrent balance. However, I remain concerned that the financial pressures in the NHS mean that some treatments will be less available to NHS patients in York and North Yorkshire than in other parts of Yorkshire and the Humber. May we have a debate at the end of the financial year to consider the financing of the NHS in Yorkshire?

Ms Harman: Perhaps I could suggest to my hon. Friend that he too apply for an Adjournment debate. He will be well aware, as will the whole House, that we have more than doubled the investment in the national health service. We want to ensure that not only are the finances well run but services are continuously improved for people, wherever they live.

Mr. Ian Liddell-Grainger (Bridgwater) (Con): May we have a debate on tourism, given that this is Easter weekend, when roads are clogged and people are going on their holidays? There is an enormous differential in funding between Scotland, England and Wales for tourism, but there is also a problem with funding all the way up. Every level of local authority except parish councils has funding for tourism. If we want to encourage more tourists—we have the Olympics coming in a few years' time—we should discuss the best way to provide what people want, which is an experience of Britain. We need to provide that in a proper and sensible manner.

Ms Harman: I welcome the fact that the hon. Gentleman is focusing on the tourist industry in this country and, in particular, his welcome for the increased investment that the Government have put into the tourist industry and our focus on seaside towns. I will raise the points that he has made with my right hon. Friend the Secretary of State for Culture, Media and Sport.

Jeremy Corbyn (Islington, North) (Lab): The Leader of the House will be aware that today is the fifth anniversary of the commencement of the invasion of Iraq, and that this year it will be seven years since the war started in Afghanistan. I appreciate that we will have a debate next week on the inquiry into the events leading up to the war in Iraq, but will the Leader of the House make Government time available for a serious debate on our foreign policy objectives as a whole, including the war in Afghanistan, given that the Ministry of Defence predict that we will be there for another 30 years? Have we not taken a wrong turn with both those conflicts, and should we not be looking for a more peaceful, just world in the future, instead of one of eternal wars led by Bush?

Ms Harman: I point out to my hon. Friend that there will be a debate on Tuesday 25 March in Westminster Hall on our mission in Helmand province. Perhaps that might provide an opportunity to develop his points further.

Mr. Adam Holloway (Gravesham) (Con): May we have a debate on policing? The great improvements in police performance in Gravesham are largely due to the outstanding leadership of the area command team, but the bar for serious crime and antisocial behaviour is rising. For example, police are often unavailable to deal with shoplifting incidents.

Ms Harman: I shall take on board the hon. Gentleman's suggestion that we should make policing the subject of a topical debate, but he will know that police numbers have been increased, in Gravesham and elsewhere. Local government and the police have been focusing on antisocial behaviour, which is something

[Ms Harman]

that all local authorities and agencies are working together to tackle. However, I shall bring his remarks to the attention of my right hon. Friend the Secretary of State for Communities and Local Government.

BILL PRESENTED

IRAQ WAR INQUIRY

Mr. Edward Davey, supported by Mr. Nick Clegg, Nick Harvey, Willie Rennie, Sir Robert Smith, Mr. Don Foster, Paul Holmes, Mr. Paul Keetch, Mr. Michael Moore, Mr. Charles Kennedy, Mr. Alan Reid and Sir Menzies Campbell, presented a Bill to make provision for the establishment of an inquiry into the war on Iraq; and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 9 May, and to be printed [Bill 91].

ROYAL ASSENT

Mr. Deputy Speaker (Sir Alan Haselhurst): I have to notify the House, in accordance with the Royal Assent Act 1967, that the Queen has signified her Royal Assent to the following Act:

Appropriation Act 2008.

The United Kingdom and the Commonwealth

12.20pm

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Meg Munn): I beg to move,

That this House has considered the matter of the United Kingdom and the Commonwealth.

I am delighted to open this debate on the UK and the Commonwealth. I intend to set out the continuing importance of the Commonwealth to this Government and this country.

The House will know that last week was Commonwealth week. I want to thank the members and staff of the UK branch of the Commonwealth Parliamentary Association for their work and for hosting the 57th Westminster seminar. My right hon. Friends the Prime Minister and the Foreign Secretary recently reaffirmed the Government's commitment to the Commonwealth. Indeed, this month the Prime Minister highlighted the Commonwealth's importance to a meeting of all the Foreign and Commonwealth Office's heads of mission.

The Commonwealth is an extraordinary global network of countries big and small, rich and poor, and it represents more than a quarter of the world's population. If it works together, the network has the potential to shape a better world for us all.

Mr. Philip Hollobone (Kettering) (Con): This House of Commons was bombed in 1941 and rebuilt after the war. The Dispatch Box on which the Minister is leaning was a gift from New Zealand, the Table in front of which she is standing was a gift from Canada, and the Chair in which Mr. Deputy Speaker is sitting was a gift from Australia. Given that the Commonwealth has played such a central part in Britain's heritage, why are the Government advancing proposals to get rid of the ancestry visa that is so important to people in New Zealand, South Africa, Australia, Canada and elsewhere around the world?

Meg Munn: First, I salute the hon. Gentleman's knowledge of the Chamber. That he has learned all that in his relatively short time in the House is a credit to him. The Government's proposals in connection with visas are exactly that—proposals. I understand that the consultation closed on 10 March, and that representations were received from Commonwealth countries. Representations were also made to me, and they have been passed on to the Border and Immigration Agency.

Simon Hughes (North Southwark and Bermondsey) (LD): Will the Minister give way?

Meg Munn: I shall make a little progress, but I assure the House that hon. Members will have plenty of opportunity to contribute to the debate.

The UK is by far the largest contributor to the Commonwealth secretariat budget, and we are proud to remain so. In addition, we spend seven times that amount supporting other Commonwealth programmes on development, youth and education. I think that

hon. Members on all sides of the House are looking forward to hosting the Commonwealth games in Glasgow in 2014.

Don McKinnon steps down in the next two weeks as Commonwealth secretary-general after eight years in the job, and I want to record the Government's gratitude for his deft stewardship of the Commonwealth secretariat. He has modernised its working practices, developed links with other international organisations and dealt with some very tricky political situations, not the least of which is that in Zimbabwe. We look forward to welcoming Kamalesh Sharma as his successor.

One of the Commonwealth's great advantages is that it is able to cut across traditional alliances and regional blocs. We should like to see it develop a more active role in identifying and helping to defuse potential conflict situations. It can also be a very positive force on important world issues, such as tackling radicalisation and climate change and advancing human rights and good governance.

Last year, when I was Minister for Women and Equality, I had the honour to represent the UK at the meeting of Commonwealth women's affairs ministers. The meeting looked in detail at issues of gender equality and provided an opportunity for countries with shared values to learn from each other's experiences and to support each other's development.

It struck me at the time that it is not necessarily the richer countries in the Commonwealth that are in the forefront on gender equality. For example, many of the newer democracies have much better records on women's representation. As I look across at the Opposition Benches I am sorry to say that, with the honourable exception of the hon. Member for East Dunbartonshire (Jo Swinson), only men are present for this debate.

The Commonwealth plays a vital role in giving small and poorer states a voice on the world stage. The Commonwealth-sponsored Office of Small States in New York, to which the UK is a major contributor, is a fine example of that. It gives a number of very small countries a presence next to the UN headquarters that they would otherwise not be able to afford.

Our historic links to many of the smaller nations remain important and are reinforced by our membership of the Commonwealth. As the Minister with responsibility for South East Asia, the Pacific and the Caribbean, I know how much those countries value that relationship.

Andrew Mackinlay (Thurrock) (Lab): Given the region for which she has responsibility, will the Minister tell the House what the Commonwealth secretariat and the Foreign and Commonwealth Office are doing to address the deteriorating situation in the Maldives? Democracy there is fragile, to say the least, and campaigning for the elections to be held later this year is not allowed to be based on either the Copenhagen or the Commonwealth-Harare criteria. Will the Minister ensure that our mission in Sri Lanka has a more impressive presence in the Maldives than it does at the moment?

Meg Munn: The Maldives are the responsibility of Lord Malloch-Brown, but he has discussed the matters that my hon. Friend raises with that country's president. The Commonwealth has offered technical assistance to help to bring all sides together so that the reforms are kept on track. My hon. Friend is right to raise those concerns, and I shall ask my noble Friend to give him further information.

Simon Hughes: The Minister will know how much I welcome this debate, which I hope will become a regular annual event. She identified how the Government support activities such as those undertaken by the Commonwealth secretariat, but does she agree that the Foreign Office's decision to withdraw money for Commonwealth scholarships has been sorely felt? That budget has been cut by £10 million, and many scholarships are now unavailable. Will she go back and discuss that cut with the Foreign Office to see whether the programme can be restored?

Meg Munn: I shall respond to the hon. Gentleman, who, if he is unhappy with my answer, can return to the question later.

We have reviewed our funding for scholarships and fellowships to ensure that it is in line with overall foreign policy goals. We are proposing a smaller and better organised programme that will focus on those people from a wide range of backgrounds who will be the leaders of tomorrow. The Commonwealth scholarships and fellowships plan has been used to fund awards for the eight most developed Commonwealth countries—Australia, the Bahamas, Brunei, Canada, Cyprus, Malta, New Zealand and Singapore—but they are not the countries that need the money the most.

Meanwhile, the Department for International Development is increasing its combined contribution to that fund and to the Commonwealth shared scholarship scheme by £1 million, which means that its total contribution for 2008-09 will be £15.93 million. The money will go directly to fund scholarships for developing countries—that is, those countries that will really benefit.

I want to say a brief word about the candidates from the eight countries that we were funding previously. Candidates from Cyprus and Malta come under the European Union's Erasmus programme, but candidates from the other six nations are eligible to apply to the Chevening scholarship scheme. Several are also eligible for Chevening central partnership scheme scholarships, co-sponsored by an outside organisation and a UK university. I hope that gives the hon. Gentleman some reassurance that there will be continuing support for countries where students can least afford to study in the UK.

My right hon. Friend the Prime Minister was delighted to meet Caribbean Heads of Government at Kampala in November, where they held positive discussions on trade, among other issues. Meanwhile, we look forward to hosting the UK-Caribbean ministerial forum in London in July. It is a key event for the UK-Caribbean relationship. The agenda will include security, climate change and economic development in the Caribbean.

The Commonwealth is unique among international organisations in having the Commonwealth ministerial action group, of which we are a member. The group has the power to suspend members who have breached the Harare principles of democracy and good governance

[Meg Munn]

that guide all member states. We are hopeful that in future the group will do more as an early warning mechanism, providing peer pressure and mediation support in conflict situations.

Mr. Rob Wilson (Reading, East) (Con): The Minister has just referred to good governance, and earlier she talked about the UK's powerful influence in the Commonwealth, so why is the UK not doing more to put pressure on South Africa to deal with the terrible situation in Zimbabwe?

Meg Munn: The hon. Gentleman raises an important issue, and I am sure other Members will want to talk in more detail about Zimbabwe during the debate. We talk regularly to South Africa about the issue. South Africa is experiencing directly the problems arising from the situation in Zimbabwe. Millions of Zimbabweans are coming across the border to South Africa and they have to be supported there. South Africa is taking part in the process to try to resolve things in the region. I freely admit that there has not been as much progress as we want, but we talk to South Africa; it is not a failure of our Government.

Last November, the Commonwealth ministerial action group responded to the state of emergency in Pakistan by setting five conditions to be met within a given timetable. When the conditions were not met, it suspended Pakistan from the councils of the Commonwealth. I think that was helpful in Pakistan. The attempt by violent extremists to derail the democratic process was faced down by the Pakistani people. They showed courage, and in doing so have given Pakistan the chance to build a stable, secure and prosperous future. My right hon. Friend the Prime Minister has said that Pakistan should return to the fold of the Commonwealth and I hope we can see that process through in the coming weeks.

In November, the Commonwealth Heads of Government in Kampala acknowledged that climate change is rapidly becoming a defining global issue of our times and a natural focus for the organisation. It was appropriate that the theme of this year's Commonwealth day was "The Environment—Our Future". The states comprising the Commonwealth are enormously significant, bringing together a critical cross-section of countries—major greenhouse gas emitters, emerging economies, energy producers and poor and vulnerable states. Climate change affects the member states differently. Some perched only just above sea level, such as the Maldives, which my hon. Friend the Member for Thurrock (Andrew Mackinlay) has already mentioned, find that their very existence is at stake. Others, including many African states, face higher energy and transport bills, together with the loss of agricultural production measures that will threaten their economic future if they remain unaddressed. In the Pacific island countries even minimal sea-level rises could cause conditions that are likely to force people from their land and create a generation of economic migrants on Australia's doorstep.

Last October, I took part in the Pacific island forum in Tonga. Like so many Commonwealth member states, the people of Tonga and those of neighbouring islands are directly on the front line of climate change. As they live on low-lying islands their whole way of life is threatened, and some fear they may have to abandon their homes if sea levels rise or catastrophic weather events become more frequent.

As the Lake Victoria declaration recognises, climate change threatens the vital national interests of all Commonwealth countries. We all face the same dilemma: how to grow and develop our economies while not destabilising the climate and thereby wrecking the foundations needed for our growth, stability and development. The Commonwealth Heads of Government at Kampala committed to helping each other, especially the poorest and most vulnerable, to carry out an assessment of the impact of climate change on their economies and development. The assessment is to include how we integrate climate resilience, as well as the transition to low carbon, in our development plans.

The Government believe that the Commonwealth's very diversity has a role to play in combating radicalisation. The UK supports, and helped to fund, the Amartya Sen report "Civil Paths to Peace". We think that the countries of the Commonwealth can take forward ideas from the report and continue and expand work in communities to prevent radicalisation from taking hold.

The secretary-general was asked to form a small group of Commonwealth Heads of Government to discuss international institutional reform and make recommendations before the next Commonwealth Heads of Government in 2009. The UK was one of the member states that encouraged that initiative. Effective international institutions are vital in establishing the rules, predictability and norms that underpin multilateralism. The Commonwealth, representing as it does such a diversity of global interests, is a natural forum in which to forge new thinking about how to adapt governance and its functioning to new times.

We believe that the Commonwealth can go from strength to strength. The interest from prospective new members is an indication of the continuing dynamism of the institution, and the UK welcomes the membership report that was adopted at Kampala. Rwanda in particular is keen to join, and discussions about membership have already begun with the Commonwealth secretariat. We welcome the prospect of Rwanda joining.

The Commonwealth matters greatly to Britain. Last November, when the next secretary-general, Kamalesh Sharma, accepted his appointment, he described the Commonwealth as a "great global good". That is certainly the view of the Government.

12.36 pm

Mr. Keith Simpson (Mid-Norfolk) (Con): What a pleasure it is to be opposite the Minister again. These little meetings across the Dispatch Box on Thursday afternoons make a middle-aged Conservative MP's life a little lighter. I am sure that is also true for my male colleagues on the Benches behind me—they may lack femininity, but I suspect that they make up for it with robust style.

As the Minister said in her introductory remarks, Commonwealth day was last week, on 10 March. The Commonwealth is a unique body; it is a voluntary association of states that does not rely on geographical

links, treaties or constitutions to hold it together. Its 53 member states—African, Asian, Pacific, European, Caribbean and North American—vary in geography from island to landlocked, and in size from India, with more than 1 billion people, to Tuvalu with just over 11,000. As the Minister has said, one of the Commonwealth's great strengths is that it gives a voice to smaller countries that often are not heard or that are unable fully to bring their voices to bear in various international forums.

The Commonwealth is not just governmental. It is underpinned by a myriad weave of informal and non-governmental links that can often do much more than official hierarchies and intergovernmental structures. In the words of my right hon. and learned Friend the Member for Devizes (Mr. Ancram), it is a "kaleidoscopic institution". With its unique global, multi-ethnic, multicultural, multi-religious nature, and its emphasis on consensus and multilateralism, it has a key role to play in fostering peace and good relations over a large part of the globe.

Dr. Andrew Murrison (Westbury) (Con): I am sure that my hon. Friend, like me, listened with great interest to the Minister's comments—all 16 minutes of them—so he will probably share my surprise that not once did she mention the contribution being made by Commonwealth citizens in Iraq and Afghanistan. I hope that he will join me in commending the fine work of those soldiers. He may also share my surprise that 635 Commonwealth citizens were serving in the British Army in 1998, but that today the number is 7,615. Although those soldiers are excellent, does he agree that it is surprising that the British Army has failed so badly in recruiting UK nationals to serve in our Army?

Mr. Simpson: Having served in the senior service, my hon. Friend has much experience of such matters, and he makes a good point. As the Minister is from the Foreign Office, she may not have believed that the point is relevant, but I think it important and will touch on it later in my remarks.

Mrs. Claire Curtis-Thomas (Crosby) (Lab): Does the hon. Gentleman agree that there is significant virtue in incorporating members of the Commonwealth in the British Army? It gives Commonwealth members valuable experience that they may not have had, as they may have small armies in-country. Also, we want to learn more about the challenges that individuals face in Commonwealth countries, and that is a very good means of doing so.

Mr. Simpson: There are two aspects to consider. The recruitment of Commonwealth citizens to the British armed forces is a necessity, and there is no doubt about that. At the moment, we cannot recruit into the British armed forces, and particularly into the Army, enough people to meet our combat requirements. I agree that Commonwealth men and women undoubtedly make a contribution to the British armed forces and take that contribution back to their country. When I was an instructor at Sandhurst, I experienced the contribution that Commonwealth personnel made there and at our other training establishments. That is not to resile from the fact that we face a manpower problem, to put it crudely.

The Commonwealth covers a quarter of the habitable surface of the Earth and accounts for 30 per cent. of its population. The population of the enlarged EU is about 497 million; the population of the Commonwealth is 2 billion. Members of the Commonwealth do not just speak the same language—English—but share a language of institutions, Parliaments, and legal and educational systems, a point made forcibly by the last Commonwealth secretary-general. As the Minister has said, the Commonwealth is still expanding and developing. There have been five new members since 1990, and others want to join, including Yemen, Algeria and Rwanda.

When looking back over the history of the Commonwealth, I came across two or three small historical facts, and being an old historian—or at least a long-in-the-tooth historian—I thought that I would lay them before the House. First, Ireland was, of course, a member of the Commonwealth until it became a republic in 1949. Although I can understand the sensitivities of the Irish as regards Great Britain, the monarchy and so on, it is open to the people and Government of Ireland to become members of the Commonwealth. Many hon. Members would regard such an application, if Ireland desired to make one, with a great deal of warmth. The Republic of Ireland would contribute massively to the Commonwealth.

Andrew Mackinlay: I hope to catch the Speaker's eye later and develop that argument. The tragedy is that the British Government, from pride or other considerations, will not take the initiative to invite Ireland to join. As it is a shared Commonwealth, Britain could act with the big players—the Prime Ministers of Australia, New Zealand, South Africa and so on—and take the initiative on the sensitive but sensible idea of welcoming Ireland back into the Commonwealth.

Mr. Simpson: It is obviously a two-way process, and I am sensitive to Irish public opinion, but I am sure that the Minister will take that point on board. Given what my hon. Friend the Member for Westbury (Dr. Murrison) and the hon. Member for Crosby (Mrs. Curtis-Thomas) have said, we should recognise the tens of thousands of Irish citizens who serve in the British armed forces, and we should recognise that Irish citizens made an important contribution in both world wars to defending democracy and developing the Commonwealth.

The second example that I want to raise is the United States of America. It obtained its independence in 1776, but parts of what is now the USA were effectively within the British empire until about 1846. By every criterion, the United States of America could become a member of the Commonwealth. If it did, it would certainly contribute something, and joining would be useful to it in its attempts to view the world on a multinational basis, as members of the Commonwealth come from the four corners of the world.

If the House will indulge me, I will set out another little-known historical fact. If the United States of America had not been established and the colonies had not sought to secede, or if the British generals had been more competent and the French had not stabbed us in the back—*[Interruption.]* I see that the Whip, the hon. Member for Motherwell and Wishaw (Mr. Roy), is nodding his head in agreement. He comes from the educated side of the Whips Office—I know that he can

[Mr. Keith Simpson]

read and write. If the United States of America had not obtained its independence, slavery would have been abolished long before the civil war and much loss of life would have been prevented.

Mr. Bernard Jenkin (North Essex) (Con): We should be aware that the American ambassador to NATO recently invoked Washington and Lafayette as the basis for a potential Franco-American relationship. In that regard, is it really possible to imagine a future President Clinton, Obama or McCain bending the knee to a British Head of State? I think not.

Mr. Simpson: There are other republics in the Commonwealth, and the issue does not pose a problem for them. I thought for one moment that my hon. Friend, who normally responds to any mention of France or the EU, was going to mention the French. Another interesting point about membership of the Commonwealth is that in 1940, Winston Churchill, then the newly appointed Prime Minister, suggested fusion with the French empire as a way of keeping the French in the war. The French decided not to go down that path. In 1955-56, the French considered becoming members of the Commonwealth, so there is an interesting link there. The Commonwealth is a dynamic organisation. It is not particularly restricted, and it is in many respects unique.

Mr. Gordon Prentice (Pendle) (Lab): The United Kingdom allows Commonwealth citizens to vote in UK parliamentary elections. I think that that is anomalous; I would like to see UK citizens voting in UK elections. As a master of little-known facts, does the hon. Gentleman know whether any other Commonwealth countries give the franchise to Commonwealth citizens?

Simon Hughes: Yes, quite a few.

Mr. Simpson: Yes. I cannot list them, but there are a number of them. The Commonwealth is partly a uniquely English institution—

Mr. Frank Roy (Motherwell and Wishaw) (Lab): British.

Mr. Simpson: When I was a Whip, Whips kept quiet, but now all they want to do is talk—I have been told that it is called "doing an Ed Balls". I take the point made in the sedentary intervention—of course I mean British. I apologise for offending the sensitivity of the Scottish Whip.

Simon Hughes: On the intervention by the hon. Member for Pendle (Mr. Prentice), I understand, from briefings that we have been given, that Jamaica, Trinidad and Tobago, St. Christopher and Nevis, Guyana, Dominica, Antigua and Barbuda, New Zealand, Malawi and Namibia allow citizens of other Commonwealth countries to vote in their elections, so about a fifth of Commonwealth countries have a reciprocal arrangement.

Mr. Simpson: I am grateful to the hon. Gentleman for those details. The Commonwealth is a great asset to the United Kingdom. All the member states except Mozambique have experienced direct or indirect British rule, or have been linked administratively to another Commonwealth country. The Commonwealth is one of Britain's three key relationships or circles of influence—Europe, the transatlantic relationship and the Commonwealth. My right hon. Friend the Member for Richmond, Yorks (Mr. Hague) said at the Conservative party conference in 2006:

> "Our country enjoys a unique position—the place where America, Europe and the Commonwealth meet."

More than 7,000 individuals from Commonwealth nations have served in the armed forces since 2007, a point made by my hon. Friend the Member for Westbury.

Mr. Shailesh Vara (North-West Cambridgeshire) (Con): Given my hon. Friend's comments about Britain's unique position in the Commonwealth, does he share my concern that there is a danger that Britain is taking its position in the Commonwealth for granted, and does he agree that we must forever be vigilant to ensure that we continue to cultivate our relationships with other Commonwealth countries? If we do not do so, countries such as Canada and Australia will try to take that pivotal role away from us.

Mr. Simpson: I am not sure whether my hon. Friend is correct. Successive British Governments have been very sensitive to the fact that although it was originally the British Commonwealth, it is now the Commonwealth. Her Majesty the Queen is head of the Commonwealth and is in a unique position. She is, in her own way, one of the most enthusiastic supporters of the Commonwealth. If one talks to Commonwealth Heads of State now, they find it awe-inspiring that Her Majesty will refer to leaders of their country whom she met 40 or 50 years ago. She is an historical continuity.

The important factor, as far as the Commonwealth is concerned, is that we have a leading role but are not necessarily the formal leader. Indeed, that kind of role is a great strength to us. Any attempts by Britain to try to replicate the role that we had 50 years ago would be disadvantageous.

Mr. Vara: Perhaps I can clarify my earlier remark. Given Her Majesty's role at the moment, there is much talk among some of the other countries—I have mentioned Australia and Canada—to the effect that when, in due course, Prince Charles becomes King of England, they will not accept a British Head of State as head of the Commonwealth. They are thinking about manoeuvring in their own people on a rotating basis, which is certainly an argument. My comments are particularly directed towards the future, and we should not take our current relationship for granted.

Mr. Simpson: My hon. Friend may be right, but I suspect that the matter is rather like reforming the House of Lords: ultimately, failure to agree means that the status quo continues almost indefinitely.

We recognise that the UK's important relationships involve more than NATO, the EU and our transatlantic partners. The Commonwealth adds something specific for Britain and for our foreign policy and trade. The African members of the Commonwealth are also members of the African Union. The south-east Asian Commonwealth members are also members of the Association of South East Asian Nations. Cameroon,

Vanuatu, St. Lucia and Canada are all members of La Francophonie as well as Commonwealth members. Finally, Canada, like the UK, is a member of the Commonwealth, the G8 and NATO, to name but a few of our shared associations.

We also recognise that the UK has an historical predicament relating to the Commonwealth, which was accurately and colourfully summed up by the former secretary-general of the Commonwealth, who said that if Britain

"uses us too much, it reinforces the very wrong assumption that it is still the British Commonwealth. If it holds back, it is accused of ignoring this invaluable asset which others have tried to copy, and which so many others would give their eye teeth to have in their foreign policy armoury."

He also recalled reminding a British official at a Commonwealth meeting that

"at one or more times in their history 52 Commonwealth countries have had their teeth knocked out or their shins kicked by a British Government, and they don't forget."

A strangely unique relationship, with good and bad sides, came out of our empire.

What do the Conservatives want the Government to do in the future as far as the Commonwealth is concerned? First, despite what the Minister said, we need to reappraise our future role in and attitude towards the Commonwealth. In June 2007, the former secretary-general of the Commonwealth said:

"In the course of my political years...I have dealt with Foreign Secretaries Hurd, Rifkind, Cook, Straw and Beckett. Naturally, they had nothing but the UK's interests at heart. Within that, they have always been warm towards the Commonwealth, but that warmth hasn't always permeated down to all officials."

There was no mention of the Commonwealth in the Foreign Secretary's announcement of a new strategic framework for the Foreign Office, which was made on 23 January 2008. Perhaps the Minister will explain that oversight.

Will the Minister assure the House that when a new White Paper outlining the Foreign Secretary's new strategic provision for the Foreign Office is finally published, it will include the Commonwealth and go into some detail rather than just including an honourable mention? Does she agree that the 60th anniversary in 2009 of the adoption of the London agreement of 1949, which founded the modern Commonwealth, is an important time to take stock and consider our relationships for the future?

The Foreign Secretary announced on 13 March that the Foreign Office is to stop funding Commonwealth scholarships, as a number of hon. Members have pointed out. In her speech, the Minister outlined the alternatives. However, although I recognise that the Foreign Office budget is under enormous pressure, it sends the wrong signal for the Foreign Secretary to say that that funding, which is in the small change category of the budget, must be reallocated towards the important subject of climate change and global warming. That sends entirely the wrong signal for the sake of a relatively small sum of money. I recognise the fact that the Foreign Office, working with other bodies, has managed to come up with the money, but it would perhaps have been better if the Foreign Secretary, who is interested in education and has a good track record on that subject, had been able to lobby the Prime Minister, who places enormous stress on education, about the importance of the issue.

Mr. John Baron (Billericay) (Con): Is there another priority for the Government on the Commonwealth? The Minister made the point that the Government are trying to explore ways to make the Commonwealth more of a force for good around the world, but she did not outline the measures that have been taken or what has been asked of our Commonwealth partners. Will my hon. Friend address that issue and the question whether we can do more as a country to encourage the Commonwealth to be a force for good across the world? Perhaps it could use its influence, or perhaps it could physically put together a force for good, to make a real difference in many humanitarian and economic trouble spots.

Mr. Simpson: My hon. Friend has made a good point. Of course, there is the danger that if Britain were seen to lead on that proposal, a number of members of the Commonwealth would resile from it. It might mean that members of the Commonwealth would think about the operational objectives and size of and support given to the secretary-general of the Commonwealth and the Commonwealth secretariat. In the past, the post was almost at the level of a golf club secretary rather than an important chief executive. The new Commonwealth secretary-general, particularly as he comes from India, is likely to make a difference. Those are the things that we should be teasing out, and hon. Members may well have other ideas on the subject.

One important aspect that the Minister mentioned is the role of this House. The Commonwealth Parliamentary Association has made an important impact on many countries in terms of parliamentary democracy. I know that some of the more cynical Members of the House see the CPA as the sun and surf exchange, and that has undoubtedly gone on. However, a number of hon. Members, including me, have been involved in parliamentary workshops of one kind or another. We should pay tribute to the work of many colleagues and of our CPA secretariat, which has played an important role. It is not for me to suggest how the new secretary-general should act, but that is the sort of thing that he and his colleagues should consider. My hon. Friend the Member for Billericay (Mr. Baron) has made an important point.

A number of hon. Members have discussed the more difficult relationships within the Commonwealth. In particular, one thinks of the continuing problems in Kenya, where, fortunately, it looks as though a compromise deal has been made. The Commonwealth undoubtedly played an important role behind the scenes, which involved not only our Government but many neighbouring Commonwealth Governments. Sadly, the Commonwealth has not had such an impact and influence on Zimbabwe. I understand the major problems faced by the Government of South Africa, and Members have mentioned the impact of refugees and the fact that President Mugabe is still seen as an icon in the struggle against colonialism. Nevertheless, some Commonwealth countries have failed to take full-frontal measures to persuade President Mugabe that he is isolated and that what is happening in Zimbabwe is a tragedy not only for the country but for the whole of southern Africa. Of course, we fully support the Government in their efforts to maintain the bar of high standards in democracy and other aspirations. Many Commonwealth countries have

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effectively been suspended before, in some cases, being readmitted. Pakistan is an obvious example.

My party and I are warm and firm supporters of the Commonwealth, which is a dynamic organisation. It enables countries from all round the world to come together and discuss many things, and it also means that Britain still has a way to influence events outside the international forums of which we are a part. The Commonwealth is an international asset, and we should celebrate it and look forward to its 60th anniversary in a year's time.

1.2 pm

Hugh Bayley (City of York) (Lab): I congratulate the Government on deciding to have a full day's debate in Government time on the Commonwealth. I congratulate the Minister on making a fine speech, and the hon. Member for Mid-Norfolk (Mr. Simpson) on making a thoughtful and fine speech. I also congratulate the hon. Member for North Southwark and Bermondsey (Simon Hughes), who lobbied for a debate such as this to take place.

As other Members have said, the Commonwealth is the only international forum, apart from the United Nations, that has member states in every continent of the world—rich states, poor states, G7 and OECD members, and many countries that, sadly, are still least-developed countries. It has small island states such as the Maldives and some of the Pacific islands—the Minister referred to them—that are threatened with extinction as a result of rising sea levels. It has high mountain states such as Canada, Pakistan and India, and it has states in the tropics and the Arctic. Because of its geographical and economic diversity, the Commonwealth is uniquely well placed to understand and deal with problems associated with global warming and the global economy.

Many characteristics within the Commonwealth draw this diverse family of nations together. We have to a considerable extent a shared language and a shared education system. Many millions of students in other Commonwealth countries take A-levels and GCSEs; some still take O-levels, which I know will be seen as a positive thing by some educational traditionalists in this Chamber. Many Commonwealth universities started off as colleges whose degrees were validated by British universities. The university of Durham played a particular part in this respect. Many universities in this country still maintain and are still developing close academic links with universities in other Commonwealth countries.

We have to some extent a shared legal system. Many Commonwealth countries base their legal system on the principle of common law. I am always surprised when I go abroad to see in Ministers' or Attorney-Generals' offices copies of British law reports. They have them because questions determined in the British courts are used as legal precedents in their own countries.

Jo Swinson (East Dunbartonshire) (LD): It is interesting that although in many ways, our legal and education systems are shared across the rest of the Commonwealth, we do not necessarily have that arrangement within the United Kingdom. Scottish law is quite different from English law in a variety of areas, and A-levels and GCSEs tend to be replaced by standard grades and highers in the Scottish system.

Hugh Bayley: With respect, we do have a shared system. Nobody is saying that Canadian law, Kittician law or Jamaican law are the same as British law—of course they are not. They are probably more different from British law than English law is from Scottish law. Indeed, there may well be more differences between their education systems and ours than there is between the English and Scottish systems. I stand corrected, but there are similar characteristics in the education systems north and south of the border, just as there are similarities with other Commonwealth countries.

We share to a considerable extent our culture and history. Kipling, Doris Lessing and Ben Okri are all great authors who are read and admired throughout the Commonwealth. We also share to a considerable extent links of kith and kin. Using that phrase often brings to mind the courage and heroism of sons and daughters—sons particularly—of British émigrés to Australia, New Zealand and Canada, who in two world wars rallied to the flag and came to fight to maintain the freedom of this country. We must remember, too, that many Indian and West Indian citizens—West Indian subjects—and Africans also came and fought for Britain during the two world wars.

Nowadays, we mean something very different by kith and kin. There are many Indians and Africans living in this country who came from other Commonwealth countries, and their links of family and history are just as strong and important to the Commonwealth as the links of those who are the sons and daughters of émigrés from this country. Of course, people also inter-marry. I am married to a woman who was born in a Commonwealth country—in the Nevis part of St. Kitts and Nevis. Of course, this is not uncommon and it is part of the cement that binds the Commonwealth.

John Hemming (Birmingham, Yardley) (LD): I accept that there are similarities across the Commonwealth, but does the hon. Gentleman not accept that there are distinct differences in the political anthropology of the various countries? In some countries, the main pattern of political loyalty is through the tribal structure, rather than through a class-based or devolved class-based structure. Perhaps studying those variations within the Commonwealth could inform the Government on how better to handle situations in, say, Iraq or Afghanistan, which also have a tribal—or biraderi—political structure, rather than a class-based one.

Hugh Bayley: It is important to realise that tribal—certainly ethnic and religious—differences have been a factor that has marked, and still does to some extent, politics within the United Kingdom. As the chair of the Commonwealth Parliamentary Association's UK branch, I should point out that we have on a number of occasions brought delegates from other Commonwealth countries to Northern Ireland to talk to politicians and others there about how one can use politics constructively to create a bridge between those from different ethnic or religious backgrounds. So I agree with the hon. Gentleman that the Commonwealth is highly diverse. How could it

be anything else, being an association that encompasses more than a quarter of the world's population? However, we have things to learn from each other, which is one of the values of a commonwealth.

Simon Hughes: The hon. Gentleman will know as well as anybody, given his family arrangements, that many Commonwealth citizens who are now part of the community in the UK have retained their Commonwealth citizenship. The debate about the rights of people to vote or to become British, for example, should take into account generations of people who have come and settled in the UK and contributed here, but who still technically may not be British citizens because they have kept their link with another part of the Commonwealth in another part of the world.

Hugh Bayley: That is one of the issues that we must grapple with. When we in this place determine our immigration and nationality rules, it is important that we take account of the links that the United Kingdom has with other Commonwealth countries. However, we need to take account of those links with all Commonwealth countries, and not pick and choose.

I relate that comment to what I said earlier about kith and kin. That is not just about links between white people within the Commonwealth. It is about family links between people from a wide range of cultures, nationalities and ethnic backgrounds. That is one of the features that makes the Commonwealth so special and gives it a vitality and relevance to the present, which it would not have if it was simply a reflection of a colonial past more than 50 years ago.

At the Commonwealth Parliamentary Association seminars that we hold in London, one sees that shared heritage bubbling to the surface. One sees people wishing to learn from each other. Delegates from Commonwealth countries that have suffered from ethnic or tribal conflict want to learn from us about how we dealt with difficulties in Northern Ireland, and from South Africa about how people from different races have been reconciled in the new multi-ethnic South Africa.

The one thing that unites Commonwealth Parliamentary Association delegates more than anything else when they meet is a shared commitment to democracy. Countries cannot belong to the Commonwealth, unlike the United Nations, without a commitment to democracy and the rule of law. Pakistan was suspended from the Councils of the Commonwealth at the Commonwealth Heads of Government meeting in November last year.

I must correct what the hon. Member for Mid-Norfolk said—Pakistan has not yet been readmitted to the Commonwealth, but it has held elections and it is well on the path to readmission. I look forward to the day when Pakistan is readmitted as a full participating member of the Commonwealth, as I look forward to the day when Fiji and Zimbabwe meet the conditions for full participation in the Commonwealth. The Commonwealth is a family of nations and we do not sever the links, even when we have differences that are so severe and significant that they lead to a country being suspended.

Zimbabwe still receives a great deal of aid from this country because there is a humanitarian need to support the Zimbabwean people. Indeed, as the state of Zimbabwe's economy has deteriorated, UK aid has increased. In 1997-98 we provided £13.7 million of aid to Zimbabwe. In 2006-07 we provided £33 million of aid. Zimbabwe needs help. A third of the population—about 4 million out of 12 million—receive food aid from the World Food Programme. Life expectancy for women in Zimbabwe has fallen to below 34 years. One child in five dies before the age of five. There are 1.8 million orphans or other vulnerable children.

But British aid and aid from other countries can make a difference. The Department for International Development has provided £35 million of aid to Zimbabwe since 2002 to respond to the catastrophe of HIV/AIDS, and will provide a further £47 million over the next three years. Zimbabwe is the first country in southern Africa to see a fall in the HIV prevalence rate: two years ago it stood at 20 per cent. and now it is down to 15.5 per cent.

The Commonwealth matters enormously to the United Kingdom. The hon. Member for Mid-Norfolk made the point that there are more than 7,000 Commonwealth citizens in the UK's armed forces, and the hon. Member for Westbury (Dr. Murrison) observed that that number has increased sharply in the past six or seven years.

John Hemming: The number has increased from 360 almost twentyfold. Will the hon. Gentleman hazard a guess as to why? Do we have a crisis in the recruitment of British nationals, for instance?

Hugh Bayley: The subject has been addressed. There are difficulties, undoubtedly, in recruiting UK nationals to the armed forces, in part because of recent conflicts, and in part also because we have full employment, and it is always harder to recruit soldiers at a time of full employment. All of us in the Chamber would agree that the Commonwealth provides a real service to the UK because it enables us to recruit people whom we need in our armed forces.

Dr. Murrison: I agree. We owe a great debt of gratitude to Commonwealth citizens who serve in the armed forces. Does the hon. Gentleman agree that we need to be a little bit careful? If there is a rich seam, so to speak, of potential recruits to the British Army, it is less imperative for the Government to make sure that the terms and conditions for indigenous recruits are good to the standard that will attract them into our armed forces?

Hugh Bayley: The hon. Gentleman is right to raise that as a potential problem. I would be shoulder to shoulder with him in making the case for the very best terms and conditions for all members of the armed forces, whether they are UK nationals or nationals of other Commonwealth countries—or, indeed, from Nepal. Without that commitment, we will not have the armed forces that we need, with the support and commitment from their members that are currently displayed. I agree with the hon. Gentleman that we must not fall into the trap of creating cheaper armed forces staffed by foreigners. Despite the huge commitment that 7,250 Commonwealth citizens make to our armed forces, they are a relatively small minority out of, I think, a little below 200,000 members of the armed forces.

Mr. Keith Simpson: There are 100,000 service personnel in the British Army.

Hugh Bayley: So about 150,000 in the armed forces.

Ms Diane Abbott (Hackney, North and Stoke Newington) (Lab): We all agree that we want our armed forces to have the best possible terms and conditions, but nothing should take away from the bravery and commitment of the Commonwealth soldiers who serve in our armed forces. I remind the House of the most recent winner of the Victoria cross, the first person to win the Victoria cross in a very long time, for extraordinary gallantry, who was from Grenada in the Commonwealth Although we want good terms and conditions, soldiers from the Commonwealth have served and continue to serve with outstanding gallantry and to the highest standards in the world.

Hugh Bayley: I utterly agree. Private Beharry has given tremendous service to this country and acts as a role model for young people from all cultures and races in the UK. We are rightly proud of him and the contribution that he and other citizens from Commonwealth countries make to our armed forces.

One of the lessons that we should learn from Iraq and Afghanistan is that there are limits to what military power can achieve. The UK also needs to exercise soft power, influence within the world, and the Commonwealth provides enormous opportunities for the exercise of soft power. Before last years CHOGM in Kampala in November, the UK set out a number of objectives for the conference to win support from other Commonwealth countries for the UK's and the EU's position on climate change, to win support for the Prime Minister's call for action that he made in July 2007 for implementation of the millennium development goals, and for there to be pressure on President Musharraf of Pakistan to step down as head of the armed forces, to lift the state of emergency and to hold elections in Pakistan. When the Prime Minister made a statement to the House on 26 November on his return from Kampala, he was able to report that progress had been made on all those fronts. Of course, the progress in relation to Pakistan had been to suspend Pakistan from the Councils of the Commonwealth, but that does matter, especially in a club, society or association such as the Commonwealth. As a result of that we have seen President Musharraf stepping down as the head of the armed forces in Pakistan and elections taking place. I am sure that Pakistan will soon be readmitted to the Commonwealth.

One area where the Commonwealth is particularly important is in development assistance. The UK won support from other countries in the G7 and EU in 2005 for doubling aid to Africa, and in 2006-07 86 per cent. of all UK aid to sub-Saharan Africa went to Commonwealth countries—£2.5 billion out of a total of £2.9 billion—and 63 per cent. of all UK aid worldwide went to Commonwealth countries. That is logical and sensible. We are providing aid for countries where we are best able to help. I am pleased that during the last decade aid to the Commonwealth has increased greatly. In 1996-97, some £669 million of British taxpayers' money was used in aid in other Commonwealth countries and by last year that had risen to £3.083 billion, almost a fivefold increase in aid to the Commonwealth, and that money is well spent.

The hon. Member for Mid-Norfolk made the point that the Foreign and Commonwealth Office's budget is under pressure as a result of decisions taken in the comprehensive spending review, and the reduction in the budget for the Foreign Office took place, in part at least, to fund an increase in spending by the Department for International Development. I should like to see DFID respond to that by increasing its own policy commitment to and involvement with the Commonwealth. DFID has a small team of officials in charge of its Commonwealth policy, which needs to be expanded. It is based in East Kilbride but it needs to work with others in the Commonwealth secretariat, which is based in London, and to work more closely with Commonwealth high commissioners who are based in London and with us in Parliament. Some of those staff need to be moved to DFID's London headquarters.

In the past, DFID left politics to the Foreign Office and concentrated on the technical job of providing development aid and of education and health policy. It has developed a globally respected reputation for the quality of its development work, but development policy does not just take place in a vacuum. Development depends upon good governance, especially when aid is being provided in the form of budget support direct to a Government's Exchequer. The Commonwealth is a particularly important driver for good governance, and so should be seen as a key partner for DFID.

The DFID White Paper published at the end of 2006 set out three new priorities for the Department: improving the standard of governance in developing countries, and especially the capacity of Parliaments of developing countries to hold the Governments of those countries to account; to make progress on climate change; and to achieve reform of international institutions. The Commonwealth is in a uniquely well-placed position to help achieve British objectives on all three of those fronts. DFID therefore needs to invest more in its relations with the Commonwealth, and to put in as much effort on co-operation with the Commonwealth as it does with other international institutions, such as the World Bank or the EU.

Between 2001 and 2005, UK aid to Commonwealth countries increased by £1.3 billion, but using the leverage that we have over the EU, aid from the European community and other EU states to British Commonwealth countries increased over those years by £3.65 billion, more than twice as much as the British aid increased. We got something extra for Commonwealth countries because of our participation in the EU. DFID needs to invest in its relationship with the Commonwealth, just as much as it does with other international institutions.

I speak as the current chair of the Commonwealth Parliamentary Association UK branch, which seeks to make its contribution to strengthening the Commonwealth and supporting Government initiatives in the Commonwealth. In 2005 when the UK Government had made Africa one of its two priorities for the Gleneagles G8 summit, the CPA UK branch held a conference in co-operation with the Inter-Parliamentary Union and others to bring together parliamentarians from G8, EU and Commonwealth countries to look at how we in our respective Parliaments would progress-chase our leaders on the commitments made at Gleneagles and within the EU.

In most years the CPA holds four seminars to work on similar themes. This year we will be holding five. One will be on governance and another on parliamentary practice and procedure, which the Minister mentioned. We have just held one seminar to drive forward policy in Commonwealth countries on climate change and one on how we can work more closely together to deal with the problem of international trade in illicit drugs, and later this year we will be holding a conference looking at what we can do together to improve development co-operation policy.

Dr. Murrison: I am interested to hear about the gatherings with which the hon. Gentleman is involved. When he has his symposium on climate change, will he be sure to invite the Commonwealth War Graves Commission, which I visited on Tuesday and which told me that one of its chief problems at the moment with the many sites that it looks after around the globe is the issue of climate change, which rather surprised me? I am sure that it would make a sound contribution to the gathering that he describes on climate change.

Hugh Bayley: The climate change conference took place just before the UN Bali conference on climate change at which its findings were presented, but I invite the hon. Gentleman to come with the Commonwealth War Graves Commission to talk to the CPA UK branch about climate change and other issues that it may wish to raise and with which it thinks we should be involved. We would be willing and happy to meet.

The hon. Member for Mid-Norfolk—with his tongue in his cheek, I hope—said that in the past the UK branch of the CPA had a reputation for surf and sun. I assure him that that has changed; we are no longer an exchange club for Members of Parliament, but a serious player in Commonwealth policy and politics. I should pay tribute to Mr. Speaker and the Lord Speaker for agreeing that from April—the week after next—the House of Commons Commission and its Lords equivalent, rather than the Treasury, will fund the activities of the CPA UK branch. That is an important step forward in making our parliamentary body independent of the Executive, and it will enable us to deliver more for Members of both Houses of Parliament.

The CPA UK branch has taken a step forward in participating in an organisation called the Westminster Consortium, which brings together a range of bodies that provide advice, assistance, training and resources to Parliaments in Commonwealth countries, to help strengthen their capacity to hold their Executives to account. The other bodies include the Westminster Foundation for Democracy, which I also chair, the National Audit Office, the Clerks Department's Overseas Office, and others.

Together those organisations have made a bid for money from DFID's global transparency fund to do work to strengthen the capacity of Parliaments abroad. The consortium has parliamentary functioning work in hand at the request of the Parliaments of Guyana, Uganda and Kenya. The Kenyan Deputy Speaker came across a couple of weeks ago, and the Kenyan Speaker will come to the UK next month to discuss what we can do to help the Parliament of Kenya deal with the problems that arose following the country's elections.

It seems clear that the fundamental problem in Kenya was that the elections were not run by an independent electoral commission. A day or two after the president of the electoral commission of Kenya had announced that President Kibaki had won the election, he said that he had done so under duress. That is hardly surprising, as a year or so before, the President had packed the commission with a partisan team of his own supporters. If the next Kenyan elections are to have credibility among the Kenyan citizenry and the international community, they will have to be run by an independent electoral commission.

The law on the commission needs to change, and the people with the responsibility to make law in Kenya, are, of course, those in its Parliament. It is a hung Parliament; no party has an overall majority and its members represent a wide range of different parties and different points of view. It is important that they should exercise their authority over the Executive and ensure that a newly formed electoral commission of Kenya has representation from the whole spectrum of political parties and, I would advise, from Kenyan civil society too—although that is their decision, of course, not mine.

In some developing countries, Parliaments are intimidated by powerful Presidents, and if we in the Commonwealth genuinely subscribe to the democratic principles that underlie our membership, it is important that we work with colleagues to ensure that Parliaments have the strength, capacity and confidence to challenge the Executives in their countries and hold them to account.

Many other Members want to speak and I have probably spoken for too long, but I should like to mention one other piece of work, in Sierra Leone. It was commissioned by DFID and implemented by the Westminster Foundation for Democracy. A few years ago, Sierra Leone was a country destroyed by conflict and violence. The United Kingdom—including, of course, its armed forces—played an important role in bringing that conflict to an end and developing the capacity of the civilian Government.

Before the elections in Sierra Leone last year, the Westminster Foundation for Democracy was asked by DFID to work with each of the political parties in the country to help them present their cases to the electorate in policy, rather than ethnic or tribal, terms. To begin with, we worked with all the parties; towards the end we spent more time working for the four largest parties. We helped them to use techniques common in this country. Pledge cards were produced so that politicians could explain in an emblematic, totemic form to their electorate what they would seek to do if elected. We persuaded the Sierra Leone Broadcasting Service to run an "Any Questions?" programme. In Africa, it is quite a unique idea that members of the public should be able to question members of or candidates for Parliament about what their policies would be and what they had done in the past. It was a tremendous success.

The training was done on a cross-party basis; trainers came from the Conservative, Liberal Democrat and Labour parties. We asked each opposition party to consider what it would do in its first few weeks of government if it was elected. Then we asked President Kabbah's ruling party what it would do if it was not

[Hugh Bayley]

elected and became the opposition party. What would its role be as the leading opposition party? In the elections, something happened which is unusual in Africa: there was a revolving door—the ruling party was voted out and another party was voted in. The country had been involved in the bloodiest conflict just a few years ago, but it did not go back to that. The door revolved—a new party went in and the old party came out and took up its role as an opposition. That shows the genuine things that can be done by parliamentary capacity building, and that is immensely easier to do in a Commonwealth country.

I said that I would sit down, and I will. The final thing that I want to say is this. Don McKinnon provided outstanding leadership as the secretary-general of the Commonwealth in the past eight years. I offer him my best wishes for whatever he does from now on and give my congratulations to Kamalesh Sharma, the new secretary-general. I wish him good luck in keeping the Commonwealth in good shape in the years ahead.

1.38 pm

Jo Swinson (East Dunbartonshire) (LD): It is a pleasure to follow the hon. Member for City of York (Hugh Bayley), who has done excellent and serious work as the chair of the Commonwealth Parliamentary Association. His speech was very well made. I hope that he did not mind my intervention too much; as the only Scot in the Chamber at the time, I felt a duty to make the point that I made.

I offer my apologies, as I will not be able to stay for the whole debate due to a commitment arranged some weeks ago. I intend to be back for the wind-ups. I also congratulate my hon. Friend the Member for North Southwark and Bermondsey (Simon Hughes) on his tenacity over several weeks in lobbying to get this debate, and I congratulate the Government on agreeing to have it in their time. Given that Commonwealth day was last Monday, the debate is timely.

Last week, I had the wonderful experience of going on a trip to the United Nations organised for parliamentarians by the Foreign and Commonwealth Office—so I was in New York on Commonwealth day. On that day, the British deputy permanent representative to the UN was hosting a reception to celebrate a new report about peacekeeping. At the reception were a variety of ambassadors and figures from member states of the UN and, particularly, member states of the Commonwealth. It was particularly moving that the Ugandan permanent representative to the UN read out a statement as part of a celebration of Commonwealth day. When I talked informally to representatives from a variety of Commonwealth countries, I was struck by the great value that they too placed on this association, this network, this great organisation and this lasting set of relationships. It is important that our debate is underscored by that.

Any debate entitled "The United Kingdom and the Commonwealth" will be wide-ranging, and it is welcome that so many different issues have been raised. I would like to confine my remarks to a few key points—the importance of the Commonwealth and the roles that it can play in resolving conflict and tackling climate change, and the rights of Commonwealth citizens in this country.

We have already heard about the great importance of the Commonwealth. Two billion people live in Commonwealth countries, of which there are 53 across the globe, with a great mix of north and south, and a diversity of ethnicity, race, religions and cultures that are different across the countries and within them. They cross all the continents of the world, going from very large countries with huge populations, such as India, to very small island states.

The Commonwealth provides a welcome alternative international forum for discussing a range of issues. We have already heard about the millennium development goals and about climate change. While we have our formal structures through the EU and the UN, it is complementary to have, alongside those international governance structures, different groupings of countries coming together and engaging in dialogue.

We know about the great contribution that people from the Commonwealth make to the UK, with many thousands of Commonwealth citizens living and working here and contributing day in, day out, as doctors and teachers, or setting up businesses. They are choosing to make Britain their home, although, as my hon. Friend the Member for North Southwark and Bermondsey said, not always necessarily taking up British citizenship, which can create difficulties.

Ms Abbott: In the context of the very live debate that is taking place about citizenship and nationality, how immigrants have to be encouraged to feel British, and so on, no group of immigrants is more passionate about Britain and more passionately proud of being British than those from the Commonwealth. I think that the generation who came from the West Indies in the 1950s are almost more proud of Britain than those of us in this Chamber, and I would like to place that on the record.

Jo Swinson: I welcome the hon. Lady's intervention. I will pick up on that point when I come to the rights of Commonwealth citizens. There are many reasons why somebody living in Britain might want to retain the links with their home country and therefore not take up British citizenship, and that should not necessarily be to their detriment as regards their rights in this country. As we have heard, 7,000 of our armed forces come from Commonwealth countries. Strong links are created by the people from the Commonwealth who live here but retain family connections in other Commonwealth countries, and by the UK citizens who go and live in other Commonwealth countries, which is becoming increasingly important. All those factors help to bind the countries together.

I am pleased that the Minister mentioned the Commonwealth games, which are due to be held very close to my constituency, in Glasgow, in 2014. We are very much looking forward to that. Sport, like other cultural activities, provides an opportunity for countries to come together and share experiences. We should not underestimate the value of events and institutions such as the Commonwealth games.

In preparing for the debate, I did some research and managed to print off from the website a list of the Commonwealth countries, as well as their flags, which will no doubt stand me in good stead for pub quizzes or "Trivial Pursuit" questions. Looking down that list, I was struck by the sheer diversity of countries. Many of them I have visited and are very familiar and commonly talked about; some are more remote and far flung, and my opinions of them, like those of many other Members, I am sure, come from what we see on the news, read in the newspapers and, personally speaking in the case of Botswana, from the fabulous literature series "The No. 1 Ladies' Detective Agency", which paints vivid pictures of that African country. I have to put my hands up and confess to some ignorance, because when I saw the state of Kiribati listed, I scratched my head and was not sure where it was. I have asked several people since and have not managed to get an answer. The Minister may be able to fill us all in on that one and stand us in better stead for trivia quizzes.

Meg Munn: I will happily respond. It is pronounced, so I am told, "koobats", and it is a Pacific island. I met a delegate from there when I was at the Commonwealth meeting of Women's Affairs Ministers. As my hon. Friend the Member for City of York (Hugh Bayley) said, it is a low-lying area and one of the many islands that are at risk.

Jo Swinson: I thank the Minister for informing us of something that some of us may not have known before.

Several countries on the list have been in the news often recently. That is where the Commonwealth has had an important role in safeguarding peace and security and sometimes stepping in and playing a role in resolving disputes. Kenya has been mentioned already. For many years, Kenya was a great success story in Africa, with a burgeoning economy and a stable political system. Indeed, the elections in 2002 were widely praised for the fair and free way in which they were undertaken. It was in that context that we all saw, to our horror, the events unfolding late last year and early this year, with violence and people being killed and having to flee their homes as a result of the conflict after the disputed elections.

However, we have also seen, and should take heart from, the value of international diplomacy, with the action taken not only by Kofi Annan but by a variety of countries behind the scenes, including Commonwealth countries. That has managed to bring Kenya back from the brink of disaster and, it is to be hoped, to create a platform for a peaceful resolution of the tension and to prevent further violence. We are still in the early days of the power-sharing agreement between the two parties, but we all hope that we will be able to secure a stable future for Kenya, that it will get the constitutional reform that is needed, and that the Commonwealth states will be able to continue to support it and see it returned to its former role as a successful figurehead country that manages to be an example to other countries in the region.

Another somewhat fragile state is Pakistan. In the aftermath of the assassination of Benazir Bhutto we have had many debates and questions in this House. It caused a great deal of concern, particularly in the run-up to the elections on 18 February. It is pleasing that those elections passed off with relatively little disruption. The new political mix marks quite a change in public opinion in Pakistan, with the parties of Sharif and Zardawi working together. There may be some hope that Pakistan has a somewhat brighter future, although, again, we are very much in the early stages. I welcome the Minister's comment that the Commonwealth hopes to be able to support Pakistan to fulfil the conditions needed to become once more a full member of the Commonwealth and embrace democratic representation and the rule of law.

Sierra Leone is another great success story for international co-operation. The strong links between the UK and Sierra Leone through the Commonwealth were clearly part of the motivation for the UK to intervene to end the crippling civil war that was taking place in that country. At the end of last year, I had the great privilege, along with the hon. Member for Crosby (Mrs. Curtis-Thomas), who I hope will share those experiences with the House later, and the hon. Member for North Thanet (Mr. Gale), of travelling to Sierra Leone with the Westminster Foundation for Democracy as one of the later parts of the project that the hon. Member for City of York described. I did not really know what to expect from a visit to the third poorest country in the world, which had been ravaged so recently—within the past five or six years—by a devastating civil war. I had not expected to find the great positivity, which was absolutely everywhere, whether in the smiling faces when we went into the Parliament building or in the streets with the coconut sellers and the bustle that was going on. There was such a sense of optimism, given the horrors that every family has experienced, as we learned when we spoke to people when we were waiting for the ferry or travelling around. Everybody had lost a brother, a father, an uncle, a mother or a daughter in the civil war, if not several relatives, yet they managed to have this wonderful outlook. That can-do attitude will take Sierra Leone far, but we have to recognise that it has been made possible by interventions. Indeed, they feel strongly full of thanks for the UK's intervention, and the Department for International Development is still the biggest development agent working out there at the moment. I am sure that we will hear more from the hon. Member for Crosby about Sierra Leone because I know that she is a frequent visitor to that country.

While we can recognise the successes internationally, we also, sadly, need to recognise where we have failed. Zimbabwe is a case in point. The hon. Member for City of York shared some horrifying statistics with us: inflation, depending on which figures we believe, stands between 7,000 per cent. and 13,000 per cent.; four out of five people are living below the poverty line; and a quarter of people have had to flee their homes. It is a truly horrific situation brought about by the destructive impact of Mugabe's regime. It was right that, in 2003, the Commonwealth Heads of Government meeting—CHOGM, which is an interesting and amusing acronym—focused on the role of Zimbabwe and considered whether suspending it would be the right way to bring the Commonwealth's influence to bear. Of course, at that point Mugabe decided that he would take Zimbabwe out of the Commonwealth. It is regrettable that we have not been able to gain greater influence on that country, and that we have not used our abilities to talk to neighbouring countries to get them to bring more pressure to bear, because it is the people of Zimbabwe who are suffering.

Kate Hoey (Vauxhall) (Lab): I agree that it is sad that the Commonwealth has not been more involved in Zimbabwe. Does the hon. Lady agree that it is also sad that the African Union, and South Africa in particular, did not press for Commonwealth observers at the elections being held last week? That would have helped to give some credibility to what will be a totally flawed election process.

Jo Swinson: The hon. Lady is quite right. Indeed, Human Rights Watch has produced a report and concluded that the elections will be deeply flawed because of factors such as people not being allowed to register to vote, dead people being allowed to register and the repression of opposition parties. The situation there is very difficult. One chink of light may be the former Finance Minister, who is challenging Mugabe and could provide another way forward. Perhaps that is a vain hope, but the electoral process has to be the bedrock of a country's stability. When that is flawed, as we saw in Kenya, the consequences can be dire. Zimbabwe is one country in respect of which we cannot bask in the glow of success of what we have achieved internationally, and I press the Government to use every available channel open to them to take further action.

The theme of Commonwealth day 2008 was "The Environment, Our Future", and it is right for an international organisation such as the Commonwealth to focus on climate change. I am a member of the Environmental Audit Committee, which is undertaking an inquiry into the international context after Kyoto. One of the things that we have found is frustration caused by the UN negotiations—how slow and bureaucratic that process can be. After speaking to some of those who take part in such negotiations, one begins to wonder whether we will ever find a solution and get international agreement.

We have to welcome, therefore, any other international bodies that can be used as a forum through which to push for progress, to encourage countries to take UN negotiations more seriously, and to allow unilateral action by countries, or groups working together, to cut carbon emissions. Most importantly, in the context of Commonwealth countries, that may allow for good adaptation measures. Countries such as India have an important role to play and I hope that it can be encouraged, as a rapidly industrialising country, to consider how it can learn from our past mistakes and create a far lower carbon economy than we have managed to.

Scientists tell us that it may not be possible to keep to a 2° rise in temperature; the figure may end up being higher. The impact of such change will be felt most harshly in many of our Commonwealth friends. Indeed, the small island states—the Tuvalus and Vanuatus—and some of the larger states, such as low-lying Bangladesh, are under great threat. Australia is already experiencing extreme weather patterns and just a small change will make those events more extreme, with really difficult consequences. Thankfully, its Government are now looking more seriously at what they can do to address climate change, after almost a decade of denying its existence.

I feel that the world is beginning to wake up to the threat of climate change, but the analogy that I would use is that rather than its being a case of someone rolling over in bed, looking at the alarm clock, thinking, "Oh my goodness! I've slept in," and rushing out of the door to act immediately, it is more like someone waking up, having a stretch and a yawn and thinking, "Maybe I'll go and have some breakfast." The sense of urgency demonstrated by all the international institutions, and even, I would contend, by this Government, does not seem to match the scale of the challenge that we face. I urge the Government to act with a sense of greater urgency on this issue and, importantly, use their influence with our Commonwealth partners.

I turn finally to the rights of Commonwealth citizens in the UK. We have all spoken about the importance of the Commonwealth, and I am sure that we will hear more on that, so it is right that we think seriously about how we show Commonwealth citizens living in the UK that they are valued members of the community and that we value the network that is the Commonwealth. As the hon. Member for Kettering (Mr. Hollobone) mentioned, the proposal to get rid of ancestry visas has come back twice in four years. That is very worrying.

Meg Munn: I am glad that the hon. Lady referred to that because I would like to correct something that I said earlier. I mixed up my consultations—the consultation on the visitor visa finished in March, and the consultation on the ancestry issue does not finish until May, so there is still plenty of time for hon. Members and others to respond.

Jo Swinson: That is a welcome clarification, and I hope that the consultation responses will show that it is important to retain ancestry visas in order to keep our links with Commonwealth countries. I also hope that as a result of the consultation, the Government will decide that that is the right way forward.

Simon Hughes: The Minister was helpful in making that correction. Does my hon. Friend agree that it would be useful if all colleagues found out how many Commonwealth citizens were in their constituencies? In mine, probably about one in five of the community are such citizens. We have an obligation to ensure that those resident in this country understand the proposal, because if they understand it, the Government will get a significant response.

Jo Swinson: My hon. Friend makes his point clearly and well.

The other issue concerning the rights of Commonwealth citizens in this country is their right to take part in our elections. The recent review of citizenship by Lord Goldsmith, which was published this month, seemed to question whether that right should be retained. I think that it should be. It is important, and I would go further. As we have heard, many Commonwealth citizens work and live in the UK and contribute to our society, and for a variety of reasons, they retain citizenship in their own country. Often, they do not know that they are eligible to vote in this country. Rather than just preserving that right, which we should do, we should make a concerted effort

to ensure that people are aware of it so that they can play a full role in the democratic process of this country. I urge the Government to promote that right, rather than remove it.

The Commonwealth is a hugely important organisation and a key part of UK heritage. It is also a vital part of the UK's future.

1.59 pm

Mrs. Claire Curtis-Thomas (Crosby) (Lab): It is a pleasure to follow the hon. Member for East Dunbartonshire (Jo Swinson), with whom, as she said, I shared an excellent visit to Sierra Leone. I shall talk about that visit in a few moments. I would like to offer my congratulations to my hon. Friend the Member for City of York (Hugh Bayley), the chairman of the Commonwealth Parliamentary Association, and of the Westminster Foundation for Democracy. My involvement with both organisations has been tremendously positive and it is the reason why I am speaking today.

I am going to talk about my experiences of a specific country. That may seem rather mean when so many are available, but as I look around the Chamber and see other hon. Members in their places, I know that others will willingly cover other countries. I shall talk in depth about Sierra Leone.

I first went to Sierra Leone in 2003 at the request of the then MP for Bridgend, Mr. Win Griffiths. I do not know whether friends and colleagues will recall him; he was a stalwart of the Back Benches, always sat at the back, and he was chairman of the all-party group for Sierra Leone. The Commonwealth Parliamentary Association had been kind enough to fund a visit and Win Griffiths was looking for Members to go.

It is true that Sierra Leone has a significant amount of both sand and sea, but the problem is that it does not have very much else, which does not it make it a very attractive proposition. I had to have 17 inoculations to go there, which quite frankly would have put off most Members, and the warnings that came with the various malaria drugs alarmed everyone in the family. The requirement to carry insect repellent everywhere put the tin lid on the suggestion that this was some sort of beano that we were all going on. It was quite a serious undertaking. Win Griffiths particularly wanted me to go on the trip because there were huge issues to do with genital circumcision in Sierra Leone, which was just beginning to be talked about, and he felt that it was right and proper to have a woman accompanying him, so I went.

Sierra Leone had just emerged from a civil war in February. As my hon. Friend the Member for City of York said, it was a devastating war. It is an extraordinary country, amazingly mineral-rich with plenty of diamonds and sapphires, but in many ways, that has proved to be its undoing. If we reflect on the antecedents of the civil war, we can see there were huge issues around the control of the diamond and sapphire mines. They were fantastic repositories of wealth, but even today, very little of that wealth permeates through to the people of Sierra Leone. There are several companies involved, but they play no role in reinvesting the benefit that they have taken out of the country. With international help, the UK has contributed to returning Sierra Leone to peace, but it remains one of the poorest countries in the world.

Mr. Keith Simpson: The hon. Lady is making a powerful speech, based on her experiences. I would like to put it on record from the Opposition side of the House that, although many people criticised the previous Prime Minister Tony Blair, I believe he was quite right to take the decision to use British armed forces to intervene in Sierra Leone. It provided a perfect example of proper intervention against an appalling regime and of the sheer professionalism of our armed forces, some of whom are still there doing training. I just wanted that put on the record.

Mrs. Curtis-Thomas: What a lovely and generous thing for the hon. Gentleman to say. That was very true. All over Sierra Leone, many children are called Tony Blair. When he went to receive the country's highest award, he was greeted by a group of children who had been named after him. Undoubtedly, when British citizens go to the shores of Sierra Leone, they are greeted with tremendous love and affection. The hon. Member for East Dunbartonshire also felt that. Without a shadow of a doubt, these people realise that we helped them to exit from a horror acknowledged by a war crimes tribunal as one of the worst, if not the worst, that this world has ever seen. The degree of mutilation that took place during those 10 years beggars belief.

I was saying that Sierra Leone is vying to be at the bottom of all the tables of statistics. In the World Health Organisation's statistics, for example, the country is held to be 176th out of 177 countries, but it is right at the bottom of others. Perhaps the most significant statistic is that Sierra Leone has the worst maternal and child mortality in the world, with one in four children dying before their fifth birthday. Even today, it is a very grim place to visit, yet the degree of optimism that ones sees while walking through the streets is truly uplifting and inspiring.

Ms Abbott: I am listening with interest to my hon. Friend's speech. I have never visited Sierra Leone, but it is worth putting on record the fact that before the horrors of the civil war, the country had some of the best standards of education in west Africa because of its history as a state in which freed slaves originally settled. Freetown, in particular, had very high standards of education, which makes its plight now even more tragic.

Mrs. Curtis-Thomas: My hon. Friend is quite correct. In fact, our nations share a great love of education and a desire for all our children to do well. If we were to transfer ourselves to Freetown, families, mothers, brothers and sisters would be having exactly the same conversation about what school to send their children to and what they were going to do when they grew up. I know that the Sierra Leone Government are very keen to capitalise on their former reputation and develop their educational provision. We have a role to play in helping them to do that.

On the subject of conflict, nearly a quarter of the population—5 million people—were either displaced or forced to flee during the war, but the good news is that, following the very successful recent election, 12 members of Parliament who are citizens of the UK have now gone home. That is a tremendous accolade

[Mrs. Curtis-Thomas]

for a country so soon out of its civil war, and it augurs well for the future. As was mentioned earlier, the Westminster Foundation for Democracy funded the visit and we had the opportunity to meet some constituents who are now serving in the Sierre Leone Government. That was very encouraging, too.

About 10,000 children, some as young as eight, were forced into the various armed forces, but once again there is another good news story. I want to tell everyone here that 53 per cent. of the Sierra Leone Government's budget comes courtesy of us: that is, 53p in every pound paid to a Minister there comes from British taxpayers. That is a staggering commitment. I can well hear some people wondering why we are doing that, but the only answer is that people must visit Sierra Leone to find out. If they went, there would be no argument about why that funding was necessary.

That is not the sort of funding that we provide to all our Commonwealth brothers and sisters, because there are various agreements about which countries throughout the world we should support. We have been fortunate enough to be allocated, or to agree to support, Sierra Leone in considerable measure. Next door, in the Côte d'Ivoire, there is French support and Liberia has the US, for example, so everyone is bearing a share of the responsibility for supporting vulnerable countries that are either in conflict, post-conflict or now considered to be fragile states.

The consequences of the war are, of course, still being felt and will, in my opinion, be felt for generations. It is not possible simply to recover from a civil war, in which terrible atrocities and the rape of a nation were committed, in just a generation. That is impossible. A huge number of people who were either murdered or sent out of the country comprised the technical capacity required to grow the country back after the war. Growing that technical capacity is a matter of great concern to me.

I have already said that the UK has spent large amounts and supported the nation enormously. Military intervention was requested by the then President Kabbah, and Tony Blair, the Government and the House responded magnificently. The civil uprising was put down very quickly. It was a war that was waiting to end; there were no protracted problems. Crucially, a plan was in place to manage the peace. When we reflect on other wars being prosecuted in different parts of the world, it is the absence of a peace plan that makes people despair so much. In Sierra Leone, however, they got the peace plan right. We negotiated and received support from the UN for a peacekeeping mission. We assisted and advised the demobilisation and integration programme through which 50,000 former combatants were disarmed and given the opportunity to start a life.

A good half of those former combatants were young people—over 50 per cent. of the population in Sierra Leone is under the age of 15. There are arguments about life expectancy, but it ranges from 32 to 40. It is not unsurprising, therefore, that the rebel armies were full of children. I have visited dozens of schools in Sierra Leone, and children who are former murderers—some of them have murdered their own parents, some have raped their own parents, and some of them have done both—can be found in the classroom. They were taken back, not ostracised, by the very communities in which they committed those terrible crimes. They were embraced as victims of a terrible time, and have been brought back into the fold. Let me give hon. Members one salutary fact: Sierra Leone has not one child psychologist to deal with any of the trauma that those young people have experienced. An atrocity has simply been put to one side, and the country has got on with the future.

The British Government have donated a huge amount of aid to Sierra Leone. We helped to set up the special court staffed by the British, Americans and people from all over the Commonwealth and the EU, to try to bring justice to people who had had terrible crimes perpetrated against them. As has been mentioned, members of the British armed forces still serve in Sierra Leone, and act as expert advisers to the Sierra Leonean army. Many members of that army now serve in the British armed forces to take back good practice. As I said in an intervention, however, it is a two-way street—we also learn about the challenges faced by countries the size of Sierra Leone and how better to position our armies, so that when we fight, and support countries, in similar conflicts, we can share the experience gained.

The hon. Member for East Dunbartonshire mentioned the Westminster Foundation for Democracy, which is an excellent foundation. Will my hon. Friend the Member for City of York tell us whether the Speaker has agreed to fund just the CPA, or will the Westminster Foundation for Democracy also be funded?

Hugh Bayley: The funding that comes from the House of Commons Commission and the House of Lords is for the CPA. The Foreign Office provides grant in aid to the Westminster Foundation for Democracy, and other bodies fund particular programmes of work—for instance, DFID funds work on Sierra Leone.

Mrs. Curtis-Thomas: May I therefore extend, through you, Mr. Deputy Speaker, my warm thanks to the Speaker for agreeing to take the CPA under his wing? That is quite right and proper. I also thank the Foreign and Commonwealth Office for its support for the Westminster Foundation for Democracy, which does extraordinary work.

The foundation has taken to Sierra Leone a number of delegations of Members of Parliament, not just from this House but from the Scottish Parliament—we were fortunate to visit with Mr. Iain Smith, a Liberal MSP. We sat down with newly elected members of the Sierra Leonean Parliament to talk to them about what it was to be an MP, both in power and in opposition. That was an extraordinary event, simply because 72 of the 120 MPs elected in the recent elections were brand new—many of them had never engaged in any political activity before. Many of them had got in on the ticket, signed up to a particular party, got through the election and found themselves members of Parliament.

We had a Herculean task, in which we failed dismally, in terms of the number of subjects that can be covered in three days. The notion that we could be

taught everything about our roles in three days is a little farcical, and yet for the Sierra Leonean members of Parliament, we are the only show in town. Nobody else is riding in to help them with the difficult task of managing themselves in government and opposition. There were many conversations about the Americans possibly doing something, but the Westminster Foundation for Democracy was it. The Speaker and Deputy Speaker came to see us and said that such education was tremendously important because the people of Sierra Leone want to retain democracy and peace. The democratic process is the way for them. I commend the foundation and applaud its aims and objectives. I hope that the FCO continues to sponsor it, because if members of Parliament do not understand their role, there will be serious problems in government.

Some of our conversations with colleagues in Sierra Leone were tremendously interesting. It is all very well to criticise some of these nations for being corrupt, but when one meets members of Parliament who receive a salary of £400 a year, have no travel or accommodation allowance, and some of whose constituencies are 1,000 miles away, it is difficult to tell them it is inappropriate to pay for children's education or somebody's funeral. They turn around and say, "But we earn more than anyone else in our community. Would you walk over a dead body in your community?" We found such conversations extremely challenging, because if that is the definition of corruption I would probably be equally corrupt in that sense. Sierra Leone has an acute shortage of money, and the Government need all the support that can be provided.

Let me deal with the role of DFID, which has done a tremendous job. After the war, the first priority was to get a grasp on democracy and all the civil governance organisations. Half the army had defected to the rebel groups, and half the police were in the pay of the rebel groups. As for the courts, one could buy one's way out of a murder charge quite easily because of the acute shortage of money—people are extraordinarily poor, living a hand-to-mouth existence on 26p a day. In Freetown today, we would find 1 million people shuffling around the streets because unemployment runs at 90 per cent. The role of the British Government was to secure those instruments of control, management and freedom that we all take for granted. They have done a fantastic job.

We have provided not only money but expertise because the support needed by the people of Sierra Leone and other Commonwealth countries cannot be bought with money alone. We had to send people from our Army to support the development of an army in Sierra Leone. We had to send judges from the UK courts. We had to ensure that they were paid from the British purse, so that they could not be bought by anyone with substantial funding who wanted to avoid a conviction for serious crimes. We had to ensure that the police were paid and had accommodation. In the first few months after the war, when I was in Sierra Leone, the British Army was responsible for taking food up country in a helicopter, to make sure that the Sierra Leonean army did not go raiding local villages because they were starving. That was tremendously important, because the Government at the time were struggling to cope with 2.5 million people in Freetown, a city built to accommodate 250,000. DFID's work has consistently been about supporting democratic governance and those instruments that secure the peace and safety of individuals.

DIFD has worked extensively with young people, including former rebels, and has worked closely with the Sierra Leonean Government's education department to develop a 10-year education plan. It continues to be extremely busy, and although we fund 53 per cent. of the Government's budget, it is not a great deal of money when so much needs to be done.

Gender is a major issue, as it is in many Commonwealth countries. The CPA has held a number of workshops in Freetown to advise on ways of increasing participation by and equality among women, and that work has been vital. I have done a great deal of community work in Waterloo in Sierra Leone. The headman there told me that every one of the women in his community had been raped during the war, yet none of them had brought any charges for sexual abuse or rape. That continues to be a common feature of women's lives in Sierra Leone. Tremendous liberties are taken.

I have already mentioned female genital circumcision and mutilation. It is not a Government requirement, or even a male requirement: it is performed by women on women, and is considered to be very much part of their cultural heritage. However, thanks to such organisations as the World Service, supported by the British Government and beamed into every home in Sierra Leone, a significant number of women have been sensitised on the subject of circumcision. Some now object to the procedure, and want an opportunity to be free of the problems associated with it.

The mercy ships, which are supported extensively by the United Kingdom, do a great deal of work in Sierra Leone on behalf of those women. When they were last in the country, 2,000 women who had been subjected to circumcision turned up. Two thirds of them were incontinent, and a third had been left sterile. DIFD's work with the women has been extensive. It has encouraged them to stand up for their rights, and has referred them to organisations that enable them to talk about their experiences. It is also beginning to help them with their literacy difficulties.

Only 10 per cent. of women in Sierra Leone can read, which makes developing a health programme a nightmare. We cannot arrange lessons for everyone. We can spread an awful lot of good information through the written word, but that requires people to be able to read. I should add that only 20 per cent. of men in Sierra Leone can read. The illiteracy levels there are the worst in the world, ranking bottom in the Commonwealth league. Making the country literate is a major challenge and a major opportunity for another fantastic organisation, the British Council.

We have not talked much today about the British Council's role in Commonwealth countries, but it is extensive. During the last few weeks a man called Stephen Kinnock has taken over the council's office there, because, as we all know, its office in St Petersburg has closed. That is very regrettable, but I for one was delighted that such an able individual was to be in charge of the office in Sierra Leone.

[Mrs. Curtis-Thomas]

The British Council has been working in Sierra Leone for 60 years, and was there during the trouble. It is a very challenging country in which to serve. During and after the war there were single-person postings, as with the Foreign and Commonwealth Office. It is very hard for people and their families to be sent to a country with no running water and no permanent electricity supply, where life expectancy is the lowest in the world and where there is no functioning hospital. We should all be tremendously proud of people who can do a good job in such circumstances.

The British Council office staff are fantastic. For a long time they have provided the only library in the country. Last year 750 students took United Kingdom examinations, and 17,000 people used non-web-based resources to gain qualifications. The people of a country that was once very proud of its educational background have been given the opportunity to pursue their education through the British Council because we have chosen to support the organisation, and long may we do so. In many Commonwealth countries the council provides a first-rate education to international standards. The educational standards in Sierra Leone are not international, and its desire to create an educational platform as a source of business and income will be denied until that is sorted out, but the British Council is providing great opportunities.

Let me now deal with what I consider to be the only remaining serious challenges that face post-conflict and fragile states. Members will know that I am an engineer, and I hope they will forgive me for focusing on the role of engineering in the development of nations. As I said earlier, a country emerging from a conflict—a fragile state—is deemed to be a state that may tip back into instability for a number of reasons. The reason may be endemic disease or endemic unemployment, or it may be threats from other countries. However, some of those fragile states manage to overcome their crises.

The recent elections in Sierra Leone were very successful, and I congratulate President Kabbah and his successor on the exemplary way in which they conducted themselves. I do not think the people of Sierra Leone ever felt that they could aspire to the levels that they saw in Kenya, but when Kenya collapsed in front of them we could feel the pride of a nation that had managed to overcome such difficulties in its elections. As my hon. Friend the Member for City of York observed, it was like a revolving door: out went one party and in came another. When we visited the country to work on the educational programme, we witnessed the same sort of rivalry and banter between the opposing parties that I have witnessed in the House of Commons many times.

As I said earlier, now that the crisis is over in Sierra Leone, one of its main problems is mass unemployment. The fact that 90 per cent. of the population is unemployed worries the Government of Sierra Leone and many other poor countries enormously. The 90 per cent. is very age-specific. One does not see young people in work; employment is for people in their 20s and 30s. What can be done with approximately 1.5 million young men under the age of 16? It is immensely worrying. With unemployment at that level, much damage can be caused. Opportunism allows rebel armies, or any individual, to mass a force of instability.

I have been talking to our colleagues in DFID and the FCO, and I make the following appeal to the Minister: in countries such as Sierra Leone, we must move the DFID programmes on from negotiating civil contingency and civil stability to looking at how to develop employment opportunities. Without employment there is no income, without income there are no tax reserves, and without tax reserves countries such as Sierra Leone cannot get off their knees and do the sorts of things we take for granted.

I want more conversations of this kind to take place because the matter I am raising is of fundamental importance to our country, and if it is fundamentally important to us it is also fundamentally important in Sierra Leone. We think of skills acquisition as one of our twin top priorities, and that is no different in Sierra Leone. The difference between us and Sierra Leone is that we have huge investment programmes that allow young people to train on the job. There are no investment programmes in Sierra Leone at present, other than those funded by the Chinese and the EU. When the Chinese bring development into countries such as Sierra Leone, they will offer to build something for the country but they will bring in Chinese people from halfway around the world to build it. That is super because the facility is left in the country, but there is not a single qualified road engineer in Sierra Leone, so we can build a road—with a lovely ribbon to cut to open it—but nobody can maintain that road when we leave. There is also not a single town and country planner in the country, so even if we wanted to establish business parks, we would have nobody to design them. There is not one organisation that can repair water equipment either, so WaterAid has refused to go into some areas in Sierra Leone, despite the fact that water-borne diseases are the major killer of children under five, because there are no water technicians to repair the equipment.

I would like every piece of infrastructure development that we put into countries such as Sierra Leone to come with a requirement. We have invested in structures: we have built all the police stations—that has been done with our money. I have to tell Members, however, that they will be falling down within 10 years. I can say that because I have surveyed them, and I know that they have been built with salty sand. They cost £20 million to build, and we could ask, "Why have we allowed structures to be built with salty sand?" We have done that because there is no civil capacity in Sierra Leone that knew enough to say, "We shouldn't use salty sand to make mortar because when it rains all the salt leaches away leaving a friable brick." When we make investments in that country, we have an absolute obligation to improve technical capacity as well. I do not accept the patronising arguments that we should not enforce British standards in other countries, because that is demeaning in the extreme.

I have talked to engineers in Sierra Leone and they say, "Hold our hands and we will walk forward with you," because no engineer that I am aware of wants to do badly; we want to do well. However, there are no engineers in Sierra Leone to build up a society—to build the roads and the rest of the infrastructure. But

there is British money. We are building there, and we should insist that for every pound of commitment—for every pound we put into a block—we deliver technical excellence as a result of that. We do that here: the mandate of—the mantra behind—the Olympic development programme is, "We want to build these fantastic facilities, but we want to build up the skills of the people in east London as well."

I agree with that, but let us take that model into Commonwealth countries. Let us make that a reality for them so that their further education colleges have somewhere to take their young students. Young people studying engineering at an FE college in Sierra Leone know what a brick is because it gets drawn on the board, and they learn how to build a brick wall by having it drawn out on the board. That is because there are no projects for them to work on. How good can anyone become when they have that sort of experience? I am interested in projects that liberate the potential of young people and connect further education and higher education with British investment. I want that to be extended to EU investment, too. The EU is currently building a road in Sierra Leone; the cost is £176 million, and it will be built by the Italians. Not one Sierra Leonean will be a part of that. That is wasted investment.

We can add value to our investment and help these countries to move on from instability and fragility to a stable state and a stable economy. We now fundamentally believe in our approach of skills, education and workplace for our country, and we must be prepared to take it out to Commonwealth countries, not only to give what we have, but to liberate British engineering companies into countries they have never been in before.

Lots of British companies—engineering companies such as Whitbybird, and others such as Cadbury—really want to engage in our millennium development programme. They want to give of what they have—their expertise. I want to say, "Come on, give us that expertise." We have a role to play in such countries, as do politicians, the Government and the private sector in the UK. It has a role to play in taking the best technical capacity in this country to our Commonwealth brothers and sisters, and allowing people to go. That concludes my remarks, and I thank the House for its indulgence.

2.35 pm

Sir Paul Beresford (Mole Valley) (Con): I congratulate the hon. Member for Crosby (Mrs. Curtis-Thomas) on a fascinating speech. It was on an area about which I know nothing, and I am much the better for it. She concentrated on what the UK is doing for Sierra Leone. I want to concentrate on the links between Commonwealth nations, particularly those between the old Commonwealth and the UK, and the two-way aspects of them.

From the moment that I began to speak, it was clear that I have an interest to declare. I have dual nationality, and I carry a New Zealand passport as well as a British one—when I arrive at Gatwick airport, I choose the shorter queue. Everybody who has spoken has correctly pointed out that the Commonwealth is a unique worldwide family: it is international and colourful in every way; it is a fantastic mixture of races, religions, languages and creeds; and it is all based around the United Kingdom and the Queen. In saying that, I recognise that the near neighbours of New Zealand—that little island just a little way off—the Australians, have a few republican problems and republican moments. If asked, any New Zealander will explain that being an Aussie is a problem in itself.

I should explain that point a little. Those two old Commonwealth nations in the south Pacific have a huge rivalry. The insults and jokes between them are phenomenal. Every joke can be turned round and played back the other way, and many of the jokes are in vulgar taste. The two have huge battles, particularly in sport and especially in rugby, yet in normal work, normal life and especially in times of war, those two old Commonwealth nations work extremely closely together as part of the British Commonwealth, especially where it is appropriate to do so. Along with Canada and South Africa, they make up what I call the "old Commonwealth". They have a Commonwealth link reinforced by huge kith and kin links and a two-way flow of tourism and migration dating back for almost two centuries.

My direct knowledge is predominately about New Zealand, although I have lived in the UK for longer than I have lived there. I return to New Zealand occasionally for language and accent refresher courses. I shall give a touch of the history just to set the scene. New Zealand was originally occupied by a group called the Moriories, who were then followed by the Maoris. There are no Moriories left; fable in New Zealand says that the Maoris either interbred with them or ate them. The next influx into New Zealand came almost entirely from the United Kingdom. The early among them were a very rough and unpleasant breed of whalers, loggers and such people. They brought the unwanted disbenefits of the European at that time—syphilis, gonorrhoea, measles, flu, alcohol and firearms, so that for quite a while the Maori people were on an endangered list. As a percentage of the population, their numbers dropped drastically, and that situation did not turn around until relatively recently. The point has been made that the whites did not have it all their own way, because the Maori name for the white man is Pakeha, which is rumoured to mean sweet pig.

New Zealand's biggest influx of immigration over the past century and a half involved people who went there by their own choice—they were not transported there. One sees that when one wanders around New Zealand, because the names of places are a mixture of Maori, English, Scottish and Irish—there are also a few Welsh names—people drive on the left and predominately speak English, and New Zealand has a parliamentary system much like the one here. There are enormous similarities—

Andrew Mackinlay: One chamber.

Sir Paul Beresford: As the hon. Gentleman says, they have one chamber and, occasionally, that deficit shows.

They also have, like the UK, a minority language of no great international significance. In New Zealand, it is the Maori language, and here it is Welsh—I am sure that I will get some letters to aid my thinking on that. The similarity between the two languages is, of course, that if one is not au fait with them, the words are almost impossible to pronounce.

[Sir Paul Beresford]

When the UK immigrants moved to New Zealand, they wanted to make it like home, so they did some extraordinary things. I know that, because I come from an ex-farming community way up in the high country—"Lord of the Rings" country. One of the most extraordinary things was the introduction of animals that became pests, such as rats, rabbits, hares, pigs, deer and feral cats. All those need to be controlled and, living up in the high country and trying to help the farmers, I was very aware of that. I became aware when I came here that New Zealand does not have foxes, although it now has hobbits—people are not allowed to shoot the hobbits. I have not met any hobbits, although I have met a few trolls.

My parents' and grandparents' generations talked of the UK as home and of "going back". They still do, as do some of my generation, even if many of them have never left to go home or come back. They all have their close links with this country displayed in their houses. Most of them have a fantastic book or two sitting on the pine coffee table in their lounge, full of dramatic photographs. They are dramatic for two reasons. First, they all feature the UK's beautiful scenery, and, secondly, they were all—amazingly—taken on sunny days.

The close rapport between the UK, New Zealand and Australia is perhaps emphasised most in the farming community. There are very close links, including educational visits both ways between farmers, although they are perhaps more educational for the farmers from this country. I was intrigued when a colleague asked me if I could find a farm—thinking that it would be a farm in this country, as I belong to the National Farmers Union here—for his daughter to spend her gap year between leaving school and going to veterinary school. She wanted something that would stand out, I rang New Zealand and spoke to some of the farmers I know there. They were more than willing to take her—for reasons of kith and kin, as they pointed out. I found a farm for her, and she is over the moon. The farm does a lot of barley and Lucerne hay, and it has 1,000 head of cattle, 1,000 head of deer and 15,000 lambing ewes. That will be a striking addition to her CV when she goes to veterinary school.

The biggest example of kith and kin involves times of conflict. In the first world war, there was Gallipoli, which led to Anzac day. Remembrance day here is important—it is covered on television—and Anzac day in Australia and New Zealand is the same. The people in those countries remember the soldiers, sailors and airmen who fought for the UK as part of the Commonwealth. I found it hard to understand as a child. I remember when we lived in a little—I mean little—village to the north of the south island of New Zealand, which had a war memorial. In typical New Zealand style, it had public toilets underneath it and the walls were covered with the names of the soldiers who had died—hundreds and hundreds of soldiers from that little village.

I recently visited Monte Cassino, the scene of the battle for Rome in world war two. Between 17 January and 18 May 1944, four battles were fought there. The soldiers involved on our side were called allied troops but, with the exception of the Polish forces who finally went over the top, they came from Commonwealth countries. A total of 54,000 men from Britain, Australia, New Zealand, South Africa, India and Canada were lost, as well as a number of Gurkhas. The reality of what happened came home to me during my visit. The separate cemeteries contain many thousands of tombstones, and I was struck by the ages of the troops buried there. Most of them were in their late 20s or their 30s and 40s, and most would have been married with families. That explains why, in my village, there were a lot of single-parent families and ladies who remained single. As a child, I did not understand that there were no men because they had gone away to fight battles as part of the Commonwealth.

After the war, shoals of people from New Zealand and Australia came to the UK on six-week boat voyages. They fly here nowadays, and many if not all of them are skilled. They are doctors, dentists, nurses, farmers, accountants and lawyers, or experts in banking, finance or construction. Some stay, others move on to other parts of the world, and some go back. For decades, university graduates have been among New Zealand's biggest exports, and in the main they have come to this country. However, the UK has become a progressively less receptive home country over the past few years. Entry is slowly becoming more difficult, and I believe that that is to the UK's disadvantage.

People from New Zealand, Australia, Canada and South Africa are exactly the type of immigrants whom this country needs. In general, they have high skills, earn high net incomes and pay a lot of tax. They are almost invisible to the social services, and they integrate well into British society. After all, most of them have parents, grandparents or even great-grandparents who came, either directly or indirectly, from the UK. They share culture, language and heritage with people here and, although they tend to play slightly better rugby, they blend in and add value to the UK. That ability to blend in here was recognised at last Saturday's rugby grand slam game, as the Welsh national rugby team have a coach who comes from New Zealand. *[Interruption.]* I had to say that.

The UK is increasingly closing the door on Commonwealth immigration. Australians and New Zealanders never took advantage of their ability to go through the channel for aliens at airport immigration, even though it is often the quicker way through, but their degrees in medicine, dentistry, accounting and the law are not being accepted as they have been in the past. I find that extraordinary. Highly trained professional people who come to the UK are being required to sit extra exams so that they can work here, even though they all speak English and the quality of their degrees is every bit as good as the ones conferred in this country.

Mrs. Curtis-Thomas: I have much sympathy with what my honourable colleague is saying, and I want to reassure him that the UK standards authority is not adopting a punitive approach. The requirement to sit extra exams is often to ensure that international standards are complied with. Moreover, some countries do not accept British qualifications, unless the people who hold them do top-up exams.

Sir Paul Beresford: That is an interesting intervention, but the requirement is not reciprocal. I do not believe that the standards in New Zealand, Australia, Canada

and so on should differ from the ones that apply here. If degrees from the United Kingdom are acceptable in those countries—as they are—there should be reciprocation, especially as a disproportionate number of the medical, dental and legal teaching staff of UK universities are New Zealanders and Australians. The same applies in the United States and Canada, but without the same difficulties.

Andrew Mackinlay: It is the same for secondary schools.

Sir Paul Beresford: Indeed.

It is worth re-emphasising the contribution to the UK's academic background and academic progress made by the old Commonwealth nations. Lord Rutherford began the process, and it has continued. To refer to my original profession, at a time when the NHS is looking for dentists, and we are encouraging Polish and Indian graduates to come to the UK, we are shutting down on people from Australia and New Zealand, who could be every bit as good.

I am further disappointed to find that the UK proposes to cut visitors visas. At present, UK visitors to Australia and New Zealand can have six-month visitor visas. If the UK visitor finds work that is beneficial to New Zealand or Australia, they can apply for a two-year working visa without having to return to the UK to fill in the application form, which might lead to that person finding that the job has gone when they go back. The process is not reciprocated by the UK. First, the UK proposal to cut the period for the visitors visa from six to three months is an unpleasant slap in the face, and I hope the Government will rethink it. Secondly, will they also rethink the requirement that people must return to Australia or New Zealand to apply for an extension or change to their work permit?

Even more upsetting is the proposal to abolish ancestral visas, which are a real link and recognise the special status of the Commonwealth—they do not apply only to Australia and New Zealand. They were introduced in 1972 to allow a Commonwealth citizen aged 17 or over to come to the UK provided that they could show that one of their grandparents or parents was born in the UK and that they intended to take or seek employment in the UK. After five years, the person can apply for settlement. The Home Office Green Paper suggests abolishing the kith and kin visa. I understand that the New Zealand and Australian Governments are, to put it mildly, very unimpressed. The timing of the suggestion is rather bad. This is the centennial year of New Zealand's becoming a Dominion, yet the door has been closed even further.

The Commonwealth is very special for its people. In these difficult days, the United Kingdom needs to build on that family of nations and not destroy the willingness and desire to be in harmony with the United Kingdom in the Commonwealth.

2.53 pm

Ms Diane Abbott (Hackney, North and Stoke Newington) (Lab): I am pleased to have the opportunity to speak in this important debate. Like earlier speakers, I stress the importance in the 21st century of the UK Government's not undervaluing the potential of our links with the Commonwealth. In the past, when apartheid still ruled in South Africa, the Commonwealth, linking countries from north and south under the leadership of Sir Sonny Ramphal, was able to play an important and constructive role in the process that eventually led to the peaceful move from apartheid to a fully democratic Government in South Africa.

I listened with interest to the speech by the hon. Member for Mole Valley (Sir Paul Beresford). In many ways his speech was moving, but when he spoke about the old Commonwealth he was, in effect, speaking about the white Commonwealth. To try to structure immigration and visa requirements so that they give the white Commonwealth privileges that are not available to the new Commonwealth is not tenable. It is, however, important to keep our links with the Commonwealth.

I remember when the ancestral visa to which the hon. Gentleman referred was introduced. That was before I was a Member of Parliament, but I used to work in the Home Office and took a particular interest in such issues. It was then called the patriality clause, and the point about the patriality clause was that at a time when the Government were bearing down on Commonwealth immigration generally, it allowed persons from the old Commonwealth—the white Commonwealth—access to this country that was denied to the Commonwealth as a whole. While I support the feeling behind the hon. Gentleman's speech, the outcome of his proposals would be different sets of regulations for the old Commonwealth and the new Commonwealth. That would not be tenable, nor could I explain it to my constituents from new Commonwealth countries.

Sir Paul Beresford: I was concentrating on the old Commonwealth, but in fact the ancestry visa conditions apply across the Commonwealth; that is my first point. Secondly, the hon. Lady ought to understand, as she would if she had ever been to Australia or New Zealand, that many of the immigrants that go from this country to Australia or New Zealand are not white.

Ms Abbott: I am aware that in principle the ancestral visa conditions apply across the Commonwealth, but in practice the people best placed to take up the ancestral visa have always been people from the old Commonwealth, who are more likely to have had parents and grandparents who were born here. In practice, if we look at the numbers, the people who have benefited from the old patriality clause and what is now called the ancestral visa were overwhelmingly people from the old Commonwealth. I say again that I understand the hon. Gentleman's feelings of sentiment as a New Zealander. I would contend that people from the Caribbean and India feel as strongly about Commonwealth links, in their own way, as people from New Zealand and Australia, and it is simply not tenable to sustain arrangements that give people from the old Commonwealth advantages over those from the new Commonwealth.

Simon Hughes: This is an important and topical issue. May I put it to the hon. Lady that there are strong views on the subject in the Caribbean communities in this country? The hon. and learned Member for

[Simon Hughes]

Beaconsfield (Mr. Grieve) and I attended a meeting upstairs with representatives of the Jamaican community, and they were as troubled by the removal of the ancestry clause as those people whose concerns were reflected by the hon. Member for Mole Valley (Sir Paul Beresford). The numbers may in theory make the issue of more interest to people from Australia and New Zealand, but in terms of strength of commitment, the issue is just as important to third-generation Caribbean people in this country.

Ms Abbott: I am grateful to the hon. Gentleman. I think that the concern that he is speaking about is a more general concern that people in the Caribbean feel about the way that the tide of change in immigration and visa requirements has weakened their links to this country generally. The truth is that it would be very unusual for someone from the Caribbean to be able to take advantage of what was the patriality clause, and is now the ancestral visa. However, that was my response to the very interesting speech by the hon. Member for Mole Valley.

I want to talk about a particular group of countries in the Commonwealth—those in the British-speaking Caribbean. I should, I suppose, declare an interest, because my family are from Jamaica, I retain strong links of family and friendship with the region, I am the chairman of the British Caribbean all-party group and I write regularly for newspapers in the region. I have stronger ties to it, possibly, than many people in the Chamber.

The first thing to say about the Commonwealth Caribbean—this follows on from the previous speech—is that I would contend that people in the Commonwealth Caribbean countries feel as strong a tie to the United Kingdom as anyone from New Zealand, Australia or Canada. As I said in an intervention, I sometimes take exception to some of the debate on citizenship and nationality, in which it seems to be assumed that immigrants need to be coaxed to feel British, need to be taught how to be British, or need a period of probation before they can be fully regarded as British. I entirely accept that the Government are entitled to have clear and firm rules on immigration and nationality. I entirely accept that citizenship is a proper issue for debate.

I take exception on behalf of my parents and their generation to the notion that that generation of immigrants from the Caribbean needed to be taught about being British. In many ways, they were prouder of being British than anybody in this Chamber can imagine. In fact, one of their disappointments in coming to this country in the '50s and '60s was that the British people, whom they had put on such a pedestal and been taught to admire and revere, occasionally did not accord with their idea of British values and what Britishness was all about. That is the paradox. Those people so revered the British that when they came here they were disappointed that the British were not as British as they had been taught to believe. I make that point because that generation is passing away. We have a debate about nationality now that assumes that immigrants have a strangeness and insularity that is certainly not true of Commonwealth immigrants.

I want to put on the record my sense of sadness at the way in which the Commonwealth in general and the Caribbean in particular appear to have slipped down the agenda when it comes to the concerns of the Foreign Office and Ministers. There are a number of reasons for that. It is partly because a generation of Members of Parliament who had live and direct links with the Caribbean have passed away. Not many Members of Parliament now could remember the young Michael Manley and the young Caribbean politicians who came here to study in the '50s and '60s. There are no politicians on the Opposition Benches like Bowen Wells, the former MP for Hertford and Stortford, who had a passionate commitment to the Caribbean because of long-standing business links with the region. A generation of politicians who had those links with the Caribbean—for whatever reason, be it business, politics or personal experience—are no longer here.

In every conceivable way, the Caribbean has slid down the agenda: in the number of staff working on Caribbean matters in the Foreign Office and the Department for International Development; in the seniority of Ministers who take responsibility for Caribbean matters; and in the amount of aid that goes to the Caribbean. I can let the House into a secret. There were Caribbean leaders who used to say that they preferred John Major to Tony Blair, because at least with John Major they could talk to him about cricket.

Simon Hughes: And he had lived elsewhere in the Commonwealth.

Ms Abbott: He had. Anyway, I threw that fact in as a matter of general interest.

One of the other reasons why the Caribbean has slid down the agenda of Her Majesty's Government is that it is talked about in development and Foreign Office circles as a middle-income country. The notion is that Britain should focus on the poorest countries and not middle-income countries like Jamaica, Trinidad, Barbados or Guyana.

I put it to the House that the global and general figures for income and GDP in the Caribbean mask poverty every bit as severe and savage as can be found in countries that are commonly regarded as poorer. Not only that, but the general figures that would indicate a middle-income country mask a poverty and deprivation that has a power to impact on this country in a way that poverty and deprivation in countries further afield cannot. If there is a dispute about guns and drugs in Kingston, it will be resolved on the streets of the inner city in Hackney, Brixton and Southwark. Whatever Ministers might feel about the relevance of Caribbean matters in 2008, in practical and community politics the links that bind the fate of the Caribbean region to the fate of this country's inner cities are very close indeed. It is not wise or sensible to say, "We've moved on—they are middle income. What is the significance of this now?" If they catch a cold in Kingston, they are sneezing in Hackney.

I want to say something else about the way in which the Caribbean has slid down the agenda. Wherever we go in the Commonwealth, we see that the people there take their links with Britain more seriously than, sadly,

people in Britain now take their links with the Commonwealth. I have spoken in this debate in order to flag up my sense, which is reflected in some of the facts and figures, that the Caribbean and its concerns have slid down the agenda. I responded to the, in many ways effective, speech that we heard earlier on behalf of the old Commonwealth because it is very important that in talking about Commonwealth links, we always try to talk about the Commonwealth as a whole. As I said earlier, the strength of feeling about the British links is as strong in the Caribbean and other parts of the new Commonwealth as it is in Canada, Australia and New Zealand.

The first of the issues of concern to the Caribbean that I want Ministers to take on board relates to trade, the economic partnership agreements and the economies of the countries of the Caribbean. The British-speaking Caribbean as a whole consists of the islands that sugar made, and by that I mean islands whose social structures, economic and trade patterns and even patterns of transport links are all rooted in patterns that grew up under the mono-culture of plantation-produced sugar. Of course, the world has moved on and the Caribbean cannot continue to rely on what used to be called imperial preferences. It must open its markets and embrace the opportunities that free markets and free trade offer it, but we have to remember that—be it shipping or air links, the structure of financial services or even patterns of employment and education—it is still, even to this day, very much shaped and structured by the experience of a region that for more than a century was dependent on one or two major cash crops.

Money is available now to move the Caribbean forward to take advantage of the economic partnership agreements, but more needs to be done to enable that money to be drawn down from the European Union, and to ensure that that funding is not just sucked in by Governments and corporations, but actually helps the people on the ground who are suffering from the transition from the traditional crops of sugar and bananas. We cannot overstate the difficulties that some of the poorest people in the Caribbean are facing with the move from traditional cash crops to a completely different economic era.

I stress to Ministers that it is in our interests to ensure that the very poorest people of the Caribbean do not suffer unduly from free markets and free trade, not because it is a humanitarian thing to do, which it is, but because, even though the sugar and banana cash crop industries that we are seeing the end of are a declining part of the economies of those countries in income terms, they are still the largest employers of male manual labour in the region. If they are allowed to crash without sufficient attention being paid to the transition, we will not have cane-cutters in Westmorland, Jamaica, becoming computer inputters; banana farmers in St. Lucia will not become maids in hotels. The redeployment and the transition that take place will not be as imagined by civil servants, with men in their 40s and 50s suddenly becoming white collar workers. It will be a redeployment and transition into the drugs trade.

I have argued time and again in the House that Government need to make the link between the war against drugs and their policies in relation to trade, employment and economic development in the region. Unless we have meaningful policies for trade and economic development in the region, we will find it very hard to fight the drugs trade. What is an unskilled young man in one of those countries to do if the sugar or banana industry, where he or his father once found a living, is collapsing? That is the question to be asked. I am aware that funding is available from the EU to help with the transitional phase, but more attention needs to be paid to how easy it is to draw down that funding and whether it is reaching the people and the communities who most desperately need help in the period of transition.

The topic of immigration has come up in the context of ancestral visas. I am a little sceptical about the argument for them, because I know the history and what they were intended to do. Another issue is the arrangements that we are proposing in relation to nationality, which would almost force people to decide between taking British citizenship and abandoning the passport of their country of origin. Up till now it has been possible to be a resident of the United Kingdom and to have all the rights associated with that status, but still to hold on to a Commonwealth passport, with no diminution of rights.

Ministers, I think, do not understand why people would do that. Why would they want to be in this country for 30 or 40 years and still not apply for British citizenship? It does not make sense. That is what Ministers think, and that is why they are seeking to force people to abandon their Jamaican or Trinidadian passports and become British citizens. I should say that I forced my own parents to do that many years ago because I could see where things were going. It makes no sense, but it is about sentiment.

Some of the most loyal British residents are people who have held on to the passport of their country of birth, not because they lack commitment to Britain, not because they are not prepared to play a full part in British society, but for reasons of sentiment. It would be wrong to force people to give up the passport issued by their country of birth, on the basis of some notion that not getting British citizenship means that, in some sense, they lack commitment to this country.

One of the ways in which we have helped the Caribbean is through the work, help, support and funding that we have given to fight crime. That is valued throughout the region but particularly in Jamaica, especially the deployment of British officers to support the Jamaican police force. Mark Shields, who is very senior in the Jamaican police force and who at one time served in Hackney, is a hero in Jamaica and very well respected. The general support that we have given and the deployment of officers out there is valued, and long may it continue.

There are other issues in relation to crime in the Caribbean. An issue of concern in the Caribbean, which of course looks different from a British perspective, is deportation and the continuing stream of people of Caribbean origin being deported back to the Caribbean. I am not saying that we should not do that. Those people are criminals and it is right that, having served their sentence, they should be deported. However, the Government should give some thought to the help and support that they could give law enforcement in the region when those deportees return,

[Ms Abbott]

often highly skilled and motivated from their time with the British criminal classes. Often the local police feel somewhat overwhelmed by such people. I am not suggesting that the Government should spend millions on resettlement, but there are practical measures that could be taken to support societies that sometimes find themselves overwhelmed by the stream of deportees.

Alistair Burt (North-East Bedfordshire) (Con): The hon. Lady has taken a considerable interest in women detainees at Yarl's Wood in my constituency. As she says, some extra assistance and attention paid to the circumstances to which detainees sometimes return might encourage people who would otherwise be fearful of returning to do so. A little infrastructure would go a long way and might assist us with some of the problems in dealing with some of the fears that people have, which then result in their going through the long judicial review process and everything else. If we could think a little more about what happens when people return home, the process might be made easier to the benefit of all of us.

Ms Abbott: I entirely agree. A little infrastructure would go a long way to making it easier to return people and to get countries to accept deportees and would minimise the danger of those people ricocheting back to this country in all sorts of subterranean ways. I am not talking about vast sums of money or huge deployments of staff or persons. I am simply saying that a little infrastructure and support would be to our long-term benefit and to those countries' long-term benefit in enabling them to reintegrate those people, or at the very least to keep an eye on them and to supervise them to ensure that they do not further destabilise what in some cases is a fragile society, and certainly do not just come back through some route or another because there is no system of scrutiny, supervision or support of any kind. What incentive is there for people not to exhaust every appeal process if they know that they will be deported and end up on the pavement with nothing at all for them or their family? I put this to Ministers because I know that what happens to people when they are deported is a matter of concern to Caribbean Governments and other Commonwealth Governments.

I wanted to say a little about climate change issues, which are of particular concern to the Caribbean, which has seen more and worse hurricanes in recent years than before, and which is particularly at risk from rising sea levels. Climate change poses a particular threat to the tourist industry, on which so many of these islands now rely as their traditional cash crops collapse, and whatever support the Government can give the region specifically on climate change issues, from the types of insurance that are available for the private sector to the type of technical expertise on which it can draw, will be important. Being a small island state in the 21st century is a vulnerable existence, not only economically because crops cannot be produced with the economies of scale of other countries, but because of climate change.

Mrs. Curtis-Thomas: The Association of Professional Engineers is a marvellous organisation based in Trinidad and founded by a good chum of mine, Mr. Bob Yorke, which has some of the world's foremost experts on buildings for earthquakes and managing tidal waves, all brought about by the concerns about climate change expressed so eloquently today by my hon. Friend. It is doing the best that it can to attract engineers from all over the world to bring their expertise to bear in the Caribbean to help in the future.

Ms Abbott: I thank my hon. Friend for her expertise, which, with that of the person whom she mentioned, is very valuable. The Government can also help in making resources available for countries to take the fullest advantage of such expertise and to train people up—a point made earlier about capacity building. There is a need to build capacity in the region around those skills. Climate change for this region among others is not just an issue for next year or the year after, but for generations to come. Yes, there is expertise, but some of the countries need the resources and structures necessary to take advantage of that, and there is a real need for capacity building right there in the region. We heard earlier about the need for engineers and other technically skilled people in Sierra Leone, but I suspect that even in London there are Sierra Leone-born engineers and technicians. We have to provide a structure in which people from that country who have come here, been trained and got skills have some incentive to go back and contribute as they all want to.

As I said, I am concerned that the Caribbean region appears to have dropped down the agenda; I am also worried that the Government's correct concern about crime and the war on drugs seems to exist at a complete remove from their thinking about trade and economic development. We cannot fight a war against drugs in the Caribbean without paying close attention to what is happening in the economy and employment there and to the transition from traditional cash crops to a modern economy. Any war on drugs that does not take those things into account is doomed to fail. It is important to put that on the agenda.

I want to draw my remarks to a conclusion. As I said at the beginning, one cannot overstate the loyalty and love that the people in the Caribbean have for this country, and I think that that applies across the Commonwealth. The Government have made some important initiatives in respect of the Caribbean region. There is a Caribbean Board, for example, although sadly it appears to have lost its way in recent years; I know that the Minister attended a meeting recently. I would like the opportunity to talk to the Minister at a later date about the Caribbean Board and how it can be given support, because it could play an important role in linking with the Caribbean community in this country and in helping the Caribbean as a region.

As I said at the beginning, there are fewer MPs on both sides of the House with personal links to the Caribbean than there were in the '70s and '80s. As one of the three Members of Parliament with a direct link to the region, I could not let this debate pass without standing up and speaking up for the Caribbean. Once upon a time, the Caribbean was considered one of the jewels of the British empire; I consider it to be a jewel of the Commonwealth to this day.

3.22 pm

Andrew Rosindell (Romford) (Con): It is a pleasure to follow the hon. Member for Hackney, North and Stoke Newington (Ms Abbott), who spoke passionately

about the Caribbean. I have had the privilege of visiting the region on numerous occasions. Most recently, I was in the Cayman Islands, which are, of course, a British overseas territory; I believe that they were also once a colony of Jamaica, or closely linked to it.

The Caribbean is a part of the world with strong links to Britain. Every time I have been there, the people have shown enormous warmth to me as a visiting Member of Parliament and to Britain as a nation. I meet many people in my constituency whose origins are in the Caribbean. Many share so many of the same values: they are loyal to the Queen and the flag and are proud of being British, as the hon. Member for Hackney, North and Stoke Newington said.

It is important that we do not forget the Caribbean. It is the part of the world in which Britain has the highest concentration of remaining overseas territories—not only the Cayman Islands, but the wonderful island of Montserrat. I am proud to be the chairman of the all-party group on Montserrat, and we must not forget Anguilla, the British Virgin Islands and the Turks and Caicos Islands. There are a lot of territories in the Caribbean for which we still have responsibility.

The hon. Member for Thurrock (Andrew Mackinlay) mentioned Bermuda. I am not sure that those islands would consider themselves as entirely Caribbean.

Ms Abbott *indicated assent.*

Andrew Rosindell: The hon. Lady and I agree on that. However, we should not forget Bermuda and all the overseas territories of the Crown.

I am delighted to have followed the hon. Lady and to have the opportunity to take part in this important debate. In the House of Commons, we debate so many things to do with international affairs. We spend an enormous amount of time talking about Europe and it is good that we are now spending a bit of time talking about countries with which we have close historical links and ties, and for so many different reasons.

The Commonwealth is born out of what our forebears achieved when they chose to sail around the globe to spread ideas, values, Christian beliefs and the English language, all of which made a huge impact on all the countries that were part of that British empire. I know that it is not politically correct to talk about the British empire, but I think that, of all the empires that have existed throughout history, ours gives us a lot to be proud of. We left good constitutional frameworks in many of those countries. We did a lot of good, as British people, and perhaps left a happier situation than was left by other countries that did not quite succeed in their colonial ambitions in the way that the United Kingdom did.

We have already had a debate about Welsh affairs for St. David's day, and now we are having a debate about the Commonwealth. I hope, Madam Deputy Speaker, that you will take back the idea that on 23 April we should also have a debate about England for St. George's day. This is an important opportunity to debate matters relating to the Commonwealth and the various parts of the United Kingdom, and I hope that we can do it on an annual basis.

The Commonwealth of nations is a proud organisation—enormously important and hugely diverse. I will not repeat much of what has already been said by colleagues on both sides of the House. I think that it is true to say that every one of us here today is strongly committed to the concept of the Commonwealth bringing everyone together—people of all backgrounds, all colours and all religions, from every continent in the world. The Commonwealth is developing. Most of its countries have very close links to Britain, but one or two other countries are now joining that do not have that same link. Mozambique is an example of a country that has chosen to join.

Last year, I was privileged to go to Madagascar as part of an Inter-Parliamentary Union delegation. That country has had some links to Britain, but for most of its colonial past it has been linked to France. The President of Madagascar has made it clear that he wants to move closer to and have much better relations with the United Kingdom and to promote English. The idea of joining the Commonwealth—I must admit that I fuelled that debate while I was there—met with huge support and great interest from everybody. I believe that the President would like that to happen. I hope that the Minister will take on board the appalling mistake that the Government made in closing the British embassy in Madagascar. At a time when that country desperately wants to develop closer relations and links with Britain, our Government shut down the British embassy—yet again, as a Labour Government have done that before. I hope that the Minister will decide to reopen that issue so that we can develop our links with Madagascar.

Systems of democracy, stability and freedom have been created in these countries on the basis of the constitution, Her Majesty the Queen, the monarchy and the Westminster model of democracy, which is slightly adapted and tweaked depending on the country concerned and which we are privileged to have as well. Most of the countries that have had British influence and are part of the Commonwealth—originally places that our forebears went to—have had a far greater chance of retaining, as they still do today, democratic values, stability, a constitution, the rule of law, and good education. There are all kinds of benefits to the people of those countries. As I said, we have a great deal to be proud of in what we have achieved.

Australia, New Zealand and Canada are three countries with which we have particularly close relations, but I also include India. Large numbers of people in this country are of Indian descent. I have many in my constituency; we have them in all our constituencies. What a great country that is, and what a country of the future it is. I am sure that the Minister agrees that it should be a priority in the next few decades that we work closely with India to develop our links in terms of trade and co-operation. Most people from India speak English and have close links to Britain, and we should work with that country as well.

Of course, 14 or 15 nations in the world today retain Her Majesty the Queen as head of state. The Commonwealth is diverse, but the countries that retain Her Majesty as head of state and continue with the British monarchy are the ones that we have the closest links to—a special relationship—and that should continue.

[Andrew Rosindell]

I commend the work in Parliament of the Commonwealth Parliamentary Association, and of its secretariat—Andrew Tuggey and his team, who work in Westminster House. They do a great job and work hard to promote relations between the Parliaments of all the countries of the Commonwealth. I have been privileged to participate in a number of international delegations to Commonwealth countries, and to host Commonwealth parliamentarians in my constituency.

In fact, a group of Commonwealth parliamentarians visited me the Friday before last—I have their programme here. I was delighted to take them around Romford market and thrilled to show them our brand-new hospital and one of the local churches, St. Alban's. We had representatives from Australia—the deputy speaker of the New South Wales Parliament—Jersey, New Zealand, the Turks and Caicos Islands and Montserrat, and an observer from Somaliland. What a great day that was, and how wonderful it was to bring parliamentarians from the Commonwealth to our constituencies. I hope that the next time there is a Commonwealth parliamentary delegation, those of us who have south-east London constituencies will invite them and give them an opportunity to see the work of British MPs on our home turf, as well as the work that we do in Parliament.

I am pleased to be involved in a number of all-party groups that do valuable work. I mentioned Montserrat, and as the Minister will know, I am the secretary of the all-party group on the Falkland Islands, and chairman of the Anglo-Manx all-party group on the Isle of Man. I am involved with the all-party groups on Gibraltar and the Channel Islands. All of those groups do great work in co-operating and fostering closer relations with our friends in those nations and territories. A lot of effort and finance is put into supporting the work of the Commonwealth Parliamentary Association—which is wonderful—the Inter-Parliamentary Union and the American group, but we have special links with Australia and New Zealand. It is time that the all-party group on Australia and New Zealand—the Anzac group, of which I am secretary—was elevated. Perhaps there should be direct funding for work with Australia and New Zealand; it is so important that we strengthen our links with those two countries in particular. We spend a lot of time working with the United States, which is very important.

Andrew Mackinlay: That is funded.

Andrew Rosindell: It is funded, but the work that we do with Australia and New Zealand is not. Perhaps the Anzac group could be elevated, and the Foreign Office might like to consider that.

Hon. Members will remember my Adjournment debate of a year ago about relations with Australia and New Zealand. I passionately believe that among all the debates that we have about Europe and our future with the continent and our relations with the United States, it is a big mistake to forget the importance of countries such as Australia, New Zealand and Canada, with which we have the most in common. Of course we want to work with all Commonwealth countries on an equal footing, but no one can take away the fact that those countries have special links with us because of ancestry. It was British people from England, Scotland, Wales and Ireland who travelled to those countries and made them their home. Today, generations are descended from those British people, something which can never be taken away. There is a special link there, closer than the ones that we have with many other countries, perhaps.

I want to repeat some of the important things that have been said about the Government's current proposals. Like many hon. Members here today—I refer in particular to my hon. Friend the Member for Mole Valley (Sir Paul Beresford)—who spoke eloquently on this subject, I am deeply concerned about proposals to remove the ancestry route from Commonwealth subjects. I refer to the early-day motion tabled by the hon. Member for Great Grimsby (Mr. Mitchell), which has now been signed by 51 Members. What the Government propose would be a bad mistake, and I hope that they will draw back from changing the rules. I think that that would send out a terrible signal to our dear friends in those countries.

The recent Home Office Green Paper, "The Path to Citizenship: Next Steps in Reforming the Immigration System", suggests the removal of the ancestry route of entry for Commonwealth citizens with ancestral links to the UK who wish to migrate here. It says:

> "We need to determine the position of the 'UK ancestry' and 'retired persons of independent means' routes within the new system... We need to decide whether a Commonwealth national's ancestral connections to the UK are sufficient to allow them to come here to work without the need to satisfy a resident labour market test."

Hon. Members will understand when I say that I accept that the Government are only consulting at this stage, but I am fearful that the consultation may well prove to be similar to the current one on post office closures—and we all know that that consultation is a sham. I hope that the Minister will reassure me and others that the consultation is genuine and that if the majority are opposed to this change, the Government will not press ahead with it, but will leave well alone. I hope that we can all have that reassurance from the Minister later. Perhaps I am being uncharitable, but I suspect that the Foreign and Commonwealth Office and the Home Office, if not the Government as a whole, may have predetermined a desired outcome—to remove the ancestry route. Let us hope that the Minister will tell us that that is not true.

I know that the Minister is aware of a number of concerns raised throughout the Commonwealth, particularly in Australia, New Zealand and, indeed, South Africa, about the proposed changes. As I have already said, I am secretary of the Anzac group, so I feel a particular affinity with those Commonwealth citizens who would have their historic right ripped away from them if the proposal were adopted. What a shameful decision that would be, especially when we consider that Australia and New Zealand lost so many of their people—they died for king and country—fighting for us, for the Commonwealth and for freedom in the second world war and the first world war. In that light, we should draw back from any changes, as altering the rules would be an appalling slap in the face. Once again, I hope that the Government will confirm that they will not press ahead with that idea.

Ms Abbott: I am moved by the fervour with which the hon. Gentleman addresses this subject. He will, of course, be aware that thousands of people from the Indian sub-continent also died in the first and second world wars and that many people from the Caribbean also volunteered to fight and die for this country.

Andrew Rosindell: I completely endorse that; we should remember those people as well. We have stood shoulder to shoulder with people in the Caribbean before and many such people still serve in the British forces today, as was mentioned earlier. I, the hon. Member for Hackney, North and Stoke Newington and all MPs—I know that the hon. Member for Thurrock agrees—are proud of all those Commonwealth citizens, whoever they are and whichever particular part of the Commonwealth they come from, who serve alongside British people and are prepared to sacrifice their lives in order to defend freedom and serve Her Majesty's armed forces.

I have met the Labour Prime Minister of New Zealand, the right hon. Helen Clark, before and I met her again in January when she visited the House of Commons. She has promised to take up the case of thousands of New Zealanders who could lose their right to live and work in the UK if the ancestry visa were abolished. She said:

"we believe the ancestry visa should remain, and are surprised that the issue has been raised".

I do not often agree with Helen Clark, but on this particular occasion, I entirely agree with her concerns.

Andrew Mackinlay: I have listened to the hon. Gentleman and to the hon. Member for Mole Valley (Sir Paul Beresford) and have a considerable amount of agreement with them. Is it not a paradox, however, that many people in New Zealand and Australia are able to apply for an Irish Republic passport, by means of which they can live and work in London or even stand for this Parliament? A large number of folk can come here, work here, participate here and be enfranchised here not on the basis of a British passport, but by virtue of the paternal grandfather rights of Irish Republic citizenship. I shall elaborate further on that later.

Andrew Rosindell: That is a revealing point, and I hope that the Minister takes it on board. It is astonishing that people can come here via the Irish route, but might not be able to do so directly. Obviously, there are anomalies that need to be addressed. I thank the hon. Gentleman for his intervention.

What do the Government hope to achieve by severing the historic ties with tens of thousands of Commonwealth nationals who currently have an automatic right, through descent, to live and work here? Immigration is a huge issue in this country, but if we are going to change the immigration laws, the last thing that most British people want to see is immigration from countries such as Australia and New Zealand curtailed. Many of our constituents would have views about immigration from other countries, but everyone accepts that immigration from those countries is welcome. I therefore ask the Government to reconsider.

New Zealanders, in particular, greatly value their connections with Britain, especially those whose grandparents were born here. I have been to New Zealand on several occasions; I was there in September. Of all the countries in the world that I have visited, it is probably the one that is most like the United Kingdom. Those people are deeply proud of their connections to Britain. Sadly, the republican movement in Australia is pretty strong these days, but thankfully it has not succeeded, and I hope that it will not do so. In New Zealand, that movement is much weaker, and no great desire exists to sever that link and turn the country into a republic.

If we make the mistakes that I refer to, however, we merely hasten the day when that constitutional monarchy that binds us together is undone. That will weaken the Commonwealth and our historic links with those countries. I hope that the Government will not make mistakes that could undermine not only Britain's friendship with those countries but the monarchy itself.

The British high commission has said that it receives about 4,000 applications under the ancestry route from New Zealand each year. The removal of that route of entry would be a great betrayal of our Commonwealth cousins, many of whose parents and grandparents fought in world wars to defend this country and the world from tyranny. The United Kingdom's relationship with our antipodean cousins in particular has always been strained by the geographical distance that separates us, at opposite ends of the globe.

Distance has been no bar, however, to the special bond that exists between our three great nations. We endanger that good will by even contemplating the removal of the ancestry route. Although the three countries often fall out over sporting rivalries, whether in cricket, rugby or sailing, our peoples have always shared a common heritage, bound together by a deep-rooted historical and cultural camaraderie. The friendship between the United Kingdom, Australia, New Zealand, and, indeed, Canada, is unrivalled.

Every year, I am proud to attend the open-air Anzac service in Whitehall, followed by the service in Westminster abbey. I encourage all hon. Members to attend the Anzac day ceremonies this year. All Members of Parliament would be very welcome to that event, and it is important that we show we stand shoulder to shoulder with our kith and kin, who lost more per head of population in those wars than we did. We must remember those people and never forget their sacrifice.

We are all English-speaking peoples. We share the same ideals as free trading nations. We believe in democratic governance and a constitutional monarchy under the rule of law. British students travel to New Zealand and Australia and, as we know, their students come here. Almost every student from Australia and New Zealand looks forward to visiting the mother country to work or to stay for a long period, and many school and university leavers from those countries opt to spend their gap year in the United Kingdom. It works both ways.

Perhaps the most significant commonality, however, is the fact that all our nations share similar constitutions based on the Westminster model, and proudly uphold Her Majesty Queen Elizabeth II as sovereign Head of State. All that has been furthered and helped by our common ancestry, as is exemplified so clearly in the ancestry route of immigration. As Members will know, the Immigration Act 1971

[Andrew Rosindell]

introduced rules specifying who could come to the United Kingdom and in what circumstances. The Act consolidated previous rules, and in 1972 the ancestry route as it now exists was created. Originally, settled status was given on arrival, but now those arriving through that route must follow the standard procedure of applying for indefinite leave to remain after five years.

In 2006, the last year for which figures are available, 8,490 people arrived in the United Kingdom expressly through the ancestry route, an increase of 230 on the previous year. In the last five years, 44,000 people have arrived in the United Kingdom expressly through that route. An estimated 1,112,000 Commonwealth citizens currently live in the United Kingdom, although not all will have taken the ancestry route.

Given what I must call our Government's abysmal record on immigration control over the past 11 years, it is appalling that they appear to have decided to block the entry of hard-working and legal Commonwealth immigrants, rather than targeting the rampant illegal immigration from across the globe from which we suffer today. I hope that that is not because they feel they must be seen to be acting to control immigration, and have concluded that the repeal of the ancestry route is an easy and uncomplicated option. I trust that the Minister agrees that that would not be the right reason to make such a decision. How can that decision be justified? Perhaps the Minister will tell us at the end of the debate.

I should like the ancestry route to be extended to great-grandparents, if not beyond. We must remember that these people are our kith and kin, descendants from these British islands who sailed the globe to lands far away to raise the Union flag and build a great empire. We cannot and must not betray those people.

I touched on the issue of immigration control earlier, and I want to return to it briefly now. As all Members know, on arrival at Heathrow airport citizens of the European Union are allowed to enter the United Kingdom through an almost unrestricted, uncontrolled area signposted "United Kingdom and EU nationals", while those entering from such countries as Canada, Australia and New Zealand are forced to enter through the section marked "Others". I raised that point in an Adjournment debate on Australia and New Zealand that I secured last year.

We have far closer relations and historical and cultural ties with Canada, Australia and New Zealand than with EU countries, and have more in common with them as Commonwealth nations. Moreover, they have stricter immigration and border controls than most if not all EU states. Yet we treat them almost as aliens, rather than as people to whom we are so closely related. I believe it is time we changed the rules and agreed special arrangements to allow citizens of Commonwealth nations such as Canada, Australia and New Zealand much easier entry to the United Kingdom and vice versa, and I hope the Government will give that careful consideration.

In my Adjournment debate of last year, I asked whether Her Majesty's Government would explore the possibility of developing a reciprocal immigration policy, mirroring that currently in place between the UK and other EU member states. As might be expected, the Minister who responded to the debate made a number of non-committal mutterings, but he did say that he would look into it. Sadly, however, I have as yet heard nothing further, but I hope that the Minister replying to the current debate will address the point. I am sure that such a scheme could be made a reality by amending passport, visa and immigration control procedures. That would benefit the people of those countries, but it would also be of great benefit to the UK.

I wish now to make a few remarks about the citizens of British overseas territories and Crown dependencies. We have not yet discussed these territories in our debate on the Commonwealth, but it is important that we do so. There is confusion about the status of British overseas territories and Crown dependencies within the Commonwealth. I visited the Cayman Islands only two years ago, as part of a Commonwealth Parliamentary Association delegation. It had suffered horribly as a result of a recent hurricane that had devastated the islands. When I was there, great concern was expressed by the Government and the citizens whom I met about the British Government's failure to go to their aid when they most needed it. It is a sad reflection on British Government policy that when a British territory is devastated by a hurricane, we are not there to assist. They did not need money; they had plenty of financial resources. What they needed was expertise: they needed British police to go there to help, and the assistance of the Royal Navy, but help was not forthcoming.

Sadly, when I went to Montserrat in 2003 a similar picture was painted of how little support the people there had been given following the volcano eruption of 1997. Much was made of the remarks of the now independent Member of Parliament, the right hon. Member for Birmingham, Ladywood (Clare Short), who was then the Secretary of State for International Development. She said they wanted golden elephants, but it is a British territory. Other countries with overseas and dependent territories look after them; they do not treat them as a nuisance—as foreign islands halfway around the world that they do not want to bother about—but that is how our Government seem to treat our overseas and dependent territories. It is time we treated them with greater regard than we have done in recent years.

What is the status of British Crown dependencies and overseas territories within the Commonwealth? They are not fully members in their own right. They are not allowed to send representatives to the Commonwealth Heads of Government meetings as equal leaders of countries, even though very small countries in the Commonwealth, such as Kiribati and Vanuatu, can do that; they can send a leader to CHOGMs, but Bermuda or Gibraltar, for instance, cannot send someone along on an equal footing, so they are disadvantaged in that respect.

What about great occasions such as trooping the colour? Every year I am pleased to attend that celebration of the Queen's official birthday, and I always look at the flags on display around Horse Guards parade. The flags of every Commonwealth country are on display, which is right, but those of the overseas territories and Crown dependencies are not. Last year, there was the absurd situation, commented

on in the national media, that during the trooping the colour celebration of the Queen's official birthday, the flags of some territories that retain the Queen as Head of State—such as the Falklands Islands—were not flying, but the flag of Mozambique was.

Mozambique has never had the British monarchy; it has never had the same link as the Falkland Islands. That very weekend we were celebrating the 25th anniversary of the liberation of the Falkland Islands, yet no Falkland Islands flag was displayed on Horseguards parade, whereas the flag of Mozambique was. *The Mail on Sunday* made a big feature of that, and Baroness Thatcher was quoted as saying she was surprised that the Falkland Islands flag was not flown.

I have raised the point before, but I say again to the Minister that surely the cost of putting a few extra flagpoles on Horseguards parade would be a small price to pay for ensuring that all our remaining overseas territories and our three Crown dependencies of Guernsey, Jersey and the Isle of Man—perhaps I should also include Sark and Alderney to make it five territories—are represented at trooping the colour and on any other day when Commonwealth nations and territories are being celebrated.

Again, I must ask why countries that have also sent their young men and women to die fighting for this country are not able to have a representative to lay a wreath on Remembrance Sunday. Surely the British overseas territories should have at least one representative—even if it alternates and there is a different representative on each occasion—to lay a wreath at the Cenotaph in Whitehall once a year. How much extra would a wreath cost? I ask the Minister to examine the matter. I am sure that we would all chip in for the cost of a wreath, and I think that opportunity should be given.

Meg Munn: A wreath is laid on behalf of the overseas territories by the Foreign Secretary.

Andrew Rosindell: The Minister knows that I am aware of that. Since when should the Falkland Islands or Gibraltar be represented by the Foreign Secretary? I know that is what happens, but they are British territories. I do not understand what problem there is in changing the arrangement and allowing a different Chief Minister or a different Government representative from the overseas territories to lay that wreath in their own right once a year. It should not be done by the Foreign Secretary, who is elected to this Parliament and appointed by a British Prime Minister—the overseas territories have no vote in that. The Foreign Secretary may lay a wreath on their behalf, but they have not elected the Foreign Secretary. They have no Members of Parliament in this Chamber who contribute to a Government, who have a Foreign Secretary. I do not understand how the system has evolved. A simple change to allow the British overseas territories to lay their own wreath would be significant. I know that the Minister is aware of that because the territories have all raised the matter with her. Once again, I ask her to consider allowing that wreath to be laid by them rather than by a British Government Minister.

How about having an annual debate on British overseas territories and Crown dependencies? We make decisions on their behalf, yet nobody in any of those places has a vote in British elections. We sit here debating Gibraltar, as we did in 2002 when the joint sovereignty proposals were made by the then Government of Tony Blair, without the people of Gibraltar having any elected voice or legitimate voice present in this Chamber. I know that the hon. Member for Thurrock has raised this very point. There is a democratic deficit, given that so much is ultimately decided in this Parliament yet those people have no voice of their own.

The whole issue of overseas territories and Crown dependencies needs to be addressed. Perhaps there should be a small Select Committee to look at matters to do with overseas territories and Crown dependencies. Why does only the Select Committee on Foreign Affairs deal with them? Why is there not a better mechanism to address these very real issues?

Meg Munn: The Foreign and Commonwealth Office takes the lead on overseas territories, and I assume that is why the Foreign Affairs Committee decided to conducts its current inquiry into this area. Other Departments have responsibility for a range of issues in overseas territories—this is a Government-wide responsibility—so other Select Committees, such as the Select Committee on Environment, Food and Rural Affairs, could specifically examine the issues in relation to overseas territories. There is nothing to prevent their doing that.

Andrew Rosindell: That is very helpful and I hope that that point will be taken on board. Issues relating to those great territories for which we have responsibility are often overlooked.

The Commonwealth is, as has already been said, a unique organisation, and we should be very proud of our role in developing it. As it develops still further, let us consider other countries that have a special link to Britain, although they may not have been part of the British empire. I am thinking especially of some Gulf states in the middle east. There is no reason why they could not decide to become part of the British Commonwealth. Hong Kong is of course now part of the People's Republic of China, but we have very close links there still, and it retains much of what we left. If the Chinese Government decided to allow Hong Kong to join the Commonwealth, why should we not encourage that?

Let us expand the Commonwealth further. I know that the hon. Member for Thurrock intends to say a few words in a moment about the Republic of Ireland, and my hon. Friend the Member for Mid-Norfolk (Mr. Simpson) mentioned it earlier. I would love to see the day when we could bring the Republic of Ireland into the Commonwealth of nations. Irish people have worked alongside the English, Welsh and Scottish to build this great Commonwealth. They sailed the world with us and helped to build democracies, constitutions and freedom in many other countries. I would love to see the Irish Republic take its place alongside the rest of us in the Commonwealth of nations.

Although I had not considered the point, my hon. Friend is correct to mention the United States of America. Why should it not have the opportunity to become part of the Commonwealth? That is a wonderful idea and I would certainly support that

[Andrew Rosindell]

proposal. A future Conservative Government may wish to propose that to a future president. Who knows what the future holds?

The United Kingdom of Great Britain and Northern Ireland has no truer friends in the world than the Commonwealth of nations, especially Australia, New Zealand, Canada, countries in the Caribbean, India, the British overseas territories and all the nations that retain Her Majesty the Queen as Head of State. But we must develop links with the whole of the Commonwealth and value it for its diversity. We draw strength from it and we can be immensely proud of it. I hope that all hon. Members will continue to work with parliamentarians from, and the Governments of, all the countries in the Commonwealth to make this world a better place.

4.2 pm

Andrew Mackinlay (Thurrock) (Lab): I hope that hon. Members will bear with me, because I shall address the House without notes on an issue that I have been considering for some time. Before doing so, however, I want to pick up two points.

The hon. Member for Romford (Andrew Rosindell) mentioned overseas territories and Remembrance Sunday. I know that I speak for my hon. Friend the Member for Chorley (Mr. Hoyle)—he would have liked to attend this debate, but he has an overriding engagement in his constituency—when I say that it is churlish and silly of the Government not to grant the representatives of the overseas territories the right to lay wreaths on Remembrance Sunday. If the Minister gets her people to look into this, she will find that the London representative of the Federation of Rhodesia and Nyasaland used to lay a wreath. It was only after the federation broke up and Rhodesia declared independence that the Foreign Office started to lay a wreath on behalf of that territory. Putting aside the franchise issue, Gibraltar and Bermuda certainly have the same constitutional status as the old Federation of Rhodesia and Nyasaland. Constitutional status should be extended to all 14 or 15 other overseas territories, if they so wish, but Gibraltar and Bermuda have contributed so much to our armed forces and so on that they should certainly have it. It is silly for the Foreign and Commonwealth Office to hold so resolutely to its position.

To elaborate on my earlier intervention, Ireland's constitution and citizenship rights mean that people with parents or grandparents born before 1949 in any of the Republic's 32 counties can claim Irish citizenship, even if those forebears moved to New Zealand, Australia or other Commonwealth states such as Canada and those in the Caribbean. However, the fact that the Irish Republic and the UK share a common status means that the descendants whom I have mentioned can come to London to work or even get elected to this Parliament.

My central point, however, picks up on something that the hon. Member for Mid-Norfolk (Mr. Simpson) said earlier about the Irish Republic. Some hon. Members have said that Madagascar should join the Commonwealth, and I am one of those looking forward to Pakistan's return to the fold, but the great country of Ireland was one of the members of the original organisation and many Irish statesman contributed to what is now our modern Commonwealth.

I did not want to interrupt the hon. Member for Romford (Andrew Rosindell) earlier, but it is worth remembering that, although the Queen is head of the Commonwealth, the overwhelming majority of member countries are republics. That is significant when it comes to inviting Ireland to rejoin and fill its empty chair. The Queen is the Head of State for some Commonwealth countries, but that should not be confused with her status as head of the Commonwealth.

Who was the architect of that concept? Amazingly, it was Eamon de Valera. People often forget that he had the idea of countries belonging to an external association within the empire. His "Document No. 2" of 1921 made it clear that he was prepared to accept George V as the head of that association, but that he wanted Ireland to be a republic. That idea was subsequently swept aside. The Costello Government finally took Ireland out of the Commonwealth in 1948—the relevant legislation came into force in 1949—but it was in that period that the Indian Republic was accommodated and invited to enter the Commonwealth for the first time. Most Commonwealth states are republics, so it is clear that Eamon de Valera's concept of a family of nations was prophetic. The Commonwealth that ultimately emerged did not belong to Britain; it was mutually shared and owned by its members, exactly as de Valera had envisaged.

In the Irish Free State of the 1920s and 1930s, Patrick McGilligan, the external affairs Minister, Desmond FitzGerald, the father of Garret FitzGerald, and Kevin O'Higgins were responsible for driving much of the business of the Dominion Prime Ministers conferences of the period. They were the architects of what became known as the statute of Westminster, in which the charters of independence for Australia, New Zealand and the other countries that maintain the monarchical tradition have their roots.

The people who negotiated Dominion status in 1921 and 1922 were rooted in Ireland's republican tradition, and they helped to forge so much of today's Commonwealth tradition. When the hon. Member for Mole Valley (Sir Paul Beresford) rightly referred to the Anzac contribution in two world wars and other conflicts, I could not help but reflect on the fact that many of the people in the British armed forces who fought for our freedom were drawn from what we know nowadays as the Irish Republic. Indeed, if we look at the wall behind the Serjeant at Arms, we can see the red crest of Willie Redmond—a Member of the House of Commons and the oldest British officer killed on the western front. He was a proud patriot and an Irish nationalist, but he is remembered here. He represents thousands of others who fought in our armed forces, even in what is known in Ireland as the emergency—world war two—when about 50,000 Irish people were in our armed forces and merchant marine. The Irish are everywhere in the old Commonwealth and other parts of it; the Irish tradition is everywhere.

I am disappointed that in the past 11 years neither the Major Government nor the Labour Government realised that we should address the wrong that is Ireland's omission from the Commonwealth. The reply from successive Governments to my parliamentary

questions has been that it is for Ireland to apply. That is disingenuous; it is not fraternal. We should tell Ireland that we want it to occupy the chair that it vacated. The best way to achieve that would be for the Prime Ministers of some of the big players, such as Australia, New Zealand, South Africa and Jamaica, to take the initiative with the Taoiseach. They should say, "This is no longer the British Commonwealth. Of course, its genesis is in our common history, but now it is a mutual society of nations owned by Australia, Jamaica, South Africa and many other African states, the Republic of India and the Republic of Pakistan, when its suspension is over. It is ours, why don't you join us?"

Why do I want Ireland in the Commonwealth? The Irish Republic has a proud record of internationalism. It is one of the first countries the UN Secretary-General calls on for quality peacekeeping troops. They have no imperial baggage, and he can rely on them. The Irish punch above their numerical weight in the European Union, where they are highly regarded. Ireland will probably provide the first president of the European Union—perhaps to the disappointment of some people in London.

Ireland is a big player, but the one international organisation in which it does not participate is the Commonwealth. We have discussed the structures of the Commonwealth, but I would like to see an Irish team at the Commonwealth games, which is a rich festival of sport and, after the Olympics, one of the most important international sporting events.

Irish membership of the Commonwealth would be a small but not insignificant factor in the positive developments in the island of Ireland over the past 12 months. It would be a further contributory factor to cover differences in traditions that have caused aggravation, but in which people also find their common identity. A small number of people in the Irish Republic identify with UK Britishness, which they cannot currently express. When I raised the subject in a Westminster Hall debate, I received letters from people in the Irish Republic who cannot have read my contribution, because they believe that the Commonwealth is the British Commonwealth. If anyone reading *Hansard* should trespass on my remarks today, I emphasise the point that the Commonwealth is not the British Commonwealth; it is owned by all the other states, the majority of which are republics.

We should take the initiative at CHOGM and discuss with other members whether Ireland's chair, which has been vacant since 1948, could be occupied once more. Actually, I do not think that Ireland left; it has been left in a sort of halfway house, because when the Costello Government declared the Irish Republic in 1948-49, this House enacted legislation that said that all citizens of the Irish Republic had citizenship rights equal to those of people from the United Kingdom, could stand for election to local authorities and to Parliament, and could take ministerial office. A number of people who identified themselves as Irish have served in that capacity in this place. That was the precursor to the concept of Irish people being Commonwealth citizens, because the concept did not exist at that stage.

Our franchise is extended to United Kingdom people, citizens of the Irish Republic and Commonwealth citizens, who have the full franchise here and can be elected to the House—I believe that Commonwealth citizens have been Ministers. I urge the Minister to go back to the Foreign and Commonwealth Office and ask for a proper brief. If she were to ask, "Is anything in the historical record that Mackinlay outlined incorrect?" the answer would be no—what I have said is absolutely correct, because I have spent some time studying the subject. I think that she will conclude that it is appropriate for the Prime Minister to discuss the issue with the other Commonwealth Prime Ministers and Heads of Government to see whether the situation can be remedied.

4.16 pm

Alistair Burt (North-East Bedfordshire) (Con): The personal connections that have been mentioned in the debate have, in some cases, been very moving. The advantage of having such a lengthy debate is that we can reveal a lot more than we normally do. I welcome the debate, in which particularly moving speeches have been made by my hon. Friend the Member for Mole Valley (Sir Paul Beresford) and the hon. Member for Crosby (Mrs. Curtis-Thomas), who gave an interesting account of Sierra Leone. I shall refer to Rwanda later, and we shall see some similarities.

First, may I say how proud I am of my connections with the Commonwealth? I was the sponsor Minister for Manchester and Salford in the mid-1990s, when John Major took the decision to back the Commonwealth games in Manchester. I am proud that a Conservative Government did that. I know that the games took place under the Labour Government, but John Major's decision to put the Government four-square behind them was the clinching factor in their coming to Manchester, and what a fantastic success they were, both for Manchester and the Commonwealth. I remember the extraordinary work by Frances Done, who did a great job on the administration, Robert Hough and, of course, the extraordinary Howard Bernstein—he is now Sir Howard Bernstein, partly as a result of work on the games.

It is appropriate that the hon. Member for North Southwark and Bermondsey (Simon Hughes) is here, because I want to mention our long association with South Africa, which began in the dark days when South Africa was not a member of the Commonwealth. In 1986, we stood shoulder to shoulder at a demonstration in Crossroads, just before the tear gas started, and we returned many times in subsequent years. It was a great joy to us when the efforts of so many friends with whom we worked over the years—people who were struggling for peaceful change and reconciliation—came to fruition. One of the significant effects of the change in South Africa was, of course, to bring it back into the fold as a Commonwealth country. We were both at the first Commonwealth service held after the country came back into the fold. I am sure that the memories of those days and our friends in South Africa are as vivid to him as they are to me.

This year, my wife and I are looking forward to celebrating our 25th wedding anniversary in Ghana, where we will build houses with Habitat for Humanity, a terrific Christian-based charity that has done tremendous work providing houses all over the world. The hon. Member for North Southwark and Bermondsey will know about that from his constituency work, because like me, he is on the board of patrons of Habitat for Humanity Great Britain. I am very much looking forward to going to Ghana, as I have not been to west Africa.

Mrs. Curtis-Thomas: I encourage the hon. Gentleman, when he goes to Ghana, to check out the work of Cadbury. Ghana produces more cocoa for Cadbury than any other country in the world. I know that the company is very proud of its work in Ghana, particularly the work it is doing to promote local projects, and specifically development projects. I encourage him to pop along and see that company. Who knows, Cadbury might be willing to support him and some of the interests that he is active in?

Alistair Burt: I thank the hon. Lady most sincerely for that suggestion. I am sure that in west Africa a day without chocolate would be like a day without sunshine. I shall certainly take her up on that offer. If Cadbury is not familiar with the work of Habitat for Humanity, I would certainly be keen to introduce the company to it.

As has been mentioned by many hon. Members, the significance of the Commonwealth is too often overlooked. It is possible that too many people in this country did not notice that 10 March was Commonwealth day. I want to make one or two remarks about the unique status of the Commonwealth, its growth and the role that I would like it to play in development in the future.

There are many references in newspapers and periodicals to its being fashionable in this country to criticise the Commonwealth and to see it as an organisation that is inherently anti-British and institutionally ineffective. It rather reminds me of the old joke about the bloke who goes into a hardware shop to ask for a particular sort of light bulb only to be told by the harassed shopkeeper, "You're the 20th person we've told today: there's no demand for it." We constantly say that the Commonwealth is undervalued, yet here we are talking about its life and vibrancy. Everywhere we go, we know that people are well aware that the Commonwealth is more than alive and well. It is not in any way a declining institution.

Perhaps we see the Commonwealth in a particular way in this country, but when one travels abroad, one sees how much it is welcomed. It is a little like the EU. We can be keen to criticise in the UK, but it is possible to see how important the EU is in the Balkans in providing a framework to settle the conflicts in a region that has been beset by them for too long.

I do not buy the idea of the Commonwealth as a declining institution. I am proud of its history, its origins and what it provides today. Colleagues have mentioned the unique aspects of the Commonwealth. It has 53 member nations, representing nearly 2 billion people in a vast, diverse grouping that transcends the north-south divide, a feat that can be matched only by the UN. It puts the rich countries, such as the UK, Australia and Canada, into contact with poorer nations in order to share best business practice and technology and to assist developing countries. It does so not out of pure economic or geographical interest, but out of a sense of relationship, which is so important in world politics. We see so many things happen in the world that are based purely on transaction and on "What's in it for me? What's in it for you? Let's do something together only if that is the relationship that we have." If there is something deeper—in the Commonwealth, there is—it means much more.

That sense of relationship, will be of great importance in a world that is becoming increasingly reliant on power blocs—a world of shrinking resources and potential global conflict. Whether it is the EU, north America or in terms of the increasing power of China, the world blocs are coming together. Something like the Commonwealth, which straddles those blocs, will be incredibly important in the future.

It is that backdrop that has made the Commonwealth's role in conflict resolution so important. We have discussed Kenya and the successes there and the worries about Zimbabwe, but let us not forget Sri Lanka, Kashmir and Cyprus. They are places where the Commonwealth can and should still have a role to play, using its unique background to try to deal with conflict resolution.

For a declining organisation, the Commonwealth has a remarkable number of people who want to join it, and that has to be the key test of a thriving group of people. Other colleagues have mentioned the fact that more countries that do not have a link to the old countries want to join. Mozambique has been mentioned. I want to talk a little about Rwanda, and say how much I welcome its application to join the Commonwealth, which has every prospect of success.

I and some 43 colleagues from the Conservative party—including eight Members of Parliament, among whom were my right hon. Friend the Member for Witney (Mr. Cameron) and my hon. Friend the Member for Sutton Coldfield (Mr. Mitchell), who organised the visit—went to Rwanda last summer on the largest international development programme ever devised by a political party in the United Kingdom. We were proud to do so, and we followed in the footsteps of other volunteers working overseas. We pay tribute to all those who do such work all over the world. We were working on projects with the support and backing of the Rwandan Government through the relationship with President Paul Kagame—a relationship that has been fostered by the present Government. We are the biggest international donor to Rwanda, and this country has a terrific relationship with Rwanda, which was much needed. The fact that it is a consensual relationship on both sides of the House is of great importance.

We followed a whole variety of projects. Work was done in rebuilding and renovating a school and an orphanage. We made sure that the projects were sustainable and had a legacy. We set up twinning with schools, and colleagues worked in Ministers' offices and in local government. There was a concentration on health. The remarkable Dr. David Tibbutt, a member of one of the teams working there—he is also the Worcester city council cabinet member for urban renaissance and a wonderful doctor—described the work that he was doing as follows:

"Kirambi Health Centre is about 2 to 3 hours drive from Kigali over difficult roads and numerous bridges...The geography of the 'land of a thousand hills' is a major obstacle to accessing healthcare: walking many kilometres is the main means by which people reach a clinic!

At the Health Centre we conducted six all-day clinics. Our visit had been announced previously in the Church. On the first day we were overwhelmed by 150 patients and managed to see about 100: the remainder had to be sent away as it was too dark...and there was no artificial light available. In all we saw 473 patients. It was interesting to note that a large proportion of the

presented problems were of a musculo-skeletal nature: backache and arthritis. Such problems may seem trivial. However, put into the social context of many hours of daily hard work on the land and walking across hilly terrain it becomes clear how important the management of these problems is."

So we worked on health care and health projects in rural and city areas, and we of course looked at the legacy of genocide. The whole modern history of Rwanda is tainted by the genocide of 1994, and yet enriched by the extraordinary recovery in that country. The hon. Member for Crosby spoke about the recovery taking place in Sierra Leone from involvement in the civil war, and how forgiving some communities had been in the most difficult of circumstances. That characteristic has also been part of Rwanda's recovery, and it is an extraordinary lesson for us.

We looked at the work of the gacaca courts and how communities have come to terms with what happened in Rwanda. We should remember that one tenth of a population of 10 million people were victims of the genocide. A civil court system cannot deal with all this, so it has been done through local community courts. The shadow Secretary of State for Scotland, my hon. Friend the Member for Dumfriesshire, Clydesdale and Tweeddale (David Mundell), put it this way when he went to see this work:

"that, for me, summed up Rwanda. Whilst there may not be a perfect reconciliation, there is no lust for revenge. As one survivor said to me, 'killing the people who carried out the killings would serve no purpose'. What there is is an accommodation, a common wish to move forward".

This sense of forgiveness and tolerance, in the most difficult of circumstances that none of us here can possibly truly comprehend, is the hallmark of what Rwanda is doing. It is still a poor country, but it is getting somewhere.

Mrs. Curtis-Thomas: I am listening to the hon. Gentleman with great interest. He spoke about volunteer groups in Rwanda working on health projects, and he made a passing comment about school twinning. Will he take the opportunity to congratulate the British Council on the number of twinning projects that it has established between Rwanda and schools in the UK, and in other countries in Africa? Will he also congratulate all the British citizens, including some of my own constituents, who are working on valuable health projects in Rwanda?

Alistair Burt: Absolutely. The British Council does fantastic work overseas, as more than one colleague has mentioned during the debate. We all recognise the need to deal with what is happening overseas, but only when we go there and see the scale of the difficulties do we realise that we should be doing more. When we introduce children to the problems that their brothers and sisters are experiencing around the world, that can be incredibly powerful.

School twinning and similar projects do a great deal, and it is a two-way process. Teachers get an opportunity to see the extraordinary skills of some of those working in the most difficult conditions. I remember a little village school that I went to see, where the facilities and resources were practically nil. The teacher had painted Pythagoras' theorem all around the blackboard because the school could not afford to have it printed out. He had painted it for his children on the walls. That is remarkable testimony to how extraordinary people are and what they will do with the most meagre resources to make things better.

Returning to the progress that has been made in Rwanda, the Minister will be delighted to know that 48 per cent. of Members of Parliament in Rwanda are women. Women play an extraordinary role there. There are 1 million widows, as a result of the genocide. The chair of the Conservative Women's Organisation, Fiona Hodgson, spent a great deal of time over the two weeks in Rwanda working with women right across the board, from those in prison to those in ministerial office. Their contribution to the recovery of Rwanda is so important.

That country has been through unparalleled troubles. Through their president and their Government, and through their own commitment and that of people from outside, the people of Rwanda are making something of themselves. What a wonderful addition to the Commonwealth they will make. They can contribute so much from their history and background, and I very much look forward to their joining.

My final point relates to future development. In the debate we have spoken about climate change, but we have not spoken a great deal about pressure on other resources, which is becoming frightening. Because it will affect the Commonwealth so much, I shall ask the Minister at the end of my remarks to what extent consideration of that problem will form part of the Commonwealth's drive for development in the future, and how the Commonwealth will react to the pressure on the resources of the planet and the way that they are being used.

I appreciate the help of Professor Chris Lever of Oxford university, who recently gave a presentation to Members of Parliament, in assembling some key facts. In 1927 the world population was 2 billion, in 1960 it was 3 billion, and today it is 6.5 billion. It is increasing by 70 million every year. It has doubled in about 50 years and by 2050 there will be 9 billion people on the planet, many of them in the developing world, and many in countries that are members of the Commonwealth.

Over that period, what has happened to the resources to feed those people and meet their other needs? If we consider the past 100 years and the impact on land, about a fifth of the world's topsoil has been lost through erosion and salination. About a fifth of agricultural land has been lost. A third of the forests have been lost. One estimate suggests that 50 per cent. of arable land may be unusable by 2050 because it has been over-irrigated and over-grazed.

Pressures are increasing and almost all the increase in demand will come from developing countries. The livestock revolution is changing the demand for cereals, which is affecting wheat prices as we talk today, and the House can imagine what the situation may be like in 30 years' time. The competition now between crops and biofuels will add to the problem. To feed 9 billion people in 2050 without allowing for additional imports of food, Africa will have to increase its food production by 300 per cent., Latin America by 80 per cent. and Asia by 70 per cent.

[Alistair Burt]

We are running out of water. Worldwide, more than 70 per cent. of food production is dependent on irrigation. The depletion of aquifers is occurring at twice the rate required to recharge them. Salination and desertification are major consequences of irrigation.

As so many of the effects of those uncomfortable truths will be felt in Commonwealth countries, to what extent is the Commonwealth taking a lead in combating those pressures on resources? This is not just about climate change or environment; it is about how a developing world that wants to catch up, and which in many ways has an absolute moral right to catch up, with everything that we have taken for granted for so long, will be able to do so, and how the world's resources will stretch to achieve that. What is the legacy for the grandchildren of the Commonwealth of those of us who are here today? I should be grateful if the Minister in her concluding remarks would consider that and what might be done in the future.

Despite the joke at the beginning of my speech, we are all aware of the importance of the Commonwealth, but it is probably true that there is a danger that the British people are at some risk of forgetting its historical significance and not appreciating its vibrancy for today. We must not forget that we fought two world wars together with Commonwealth countries, as the cemeteries in France and Belgium show. My hon. Friend the Member for Mole Valley paid tribute to the Anzacs at Gallipoli. Gallipoli is remembered in very few places in the UK today, except Bury, my home town, which was the garrison town of the Lancashire Fusiliers, who famously won six VCs before breakfast, as my hon. Friend the Member for Mid-Norfolk (Mr. Simpson) would inevitably know, and he would presumably be able to quote the names of all those who won them. Bury is intimately tied up with Gallipoli where so many men from the town died. Those links must never be forgotten, and that is why my hon. Friend spoke so movingly about the length and depth of the relationship between Australia and New Zealand and this country. There exists between us a deep historical and unique link that we would be foolish ever to forget.

But it is also clear from contributions from all parts of the House that as well as the past there is a present vibrancy to the Commonwealth as it considers its future and plays a more substantial role. I firmly believe that it may find its fullest and most important voice in development and resource issues, because so many of its citizens will suffer if we fail to deal with the threats of environmental damage and resource depletion that face us today.

4.38 pm

Mr. Bernard Jenkin (North Essex) (Con): I was caught off guard to be called now, Mr. Deputy Speaker. I naturally assumed that a colleague of greater seniority would catch your eye before me, but I am most gratified by your beneficence. It is a great pleasure to take part in the debate. We are a few days late for Commonwealth day. I apologise to you, Mr. Deputy Speaker, and to the Minister for myself being a few minutes late for her speech, but I was a little surprised that she sat down so soon after I arrived. Perhaps she will enlighten us with further thoughts when she responds to the debate, because this debate is about an important topic. The Commonwealth is always in danger of seeming like no more than a hangover from bygone days, a fading institution, and those who talk about it are often caricatured as latter-day blimpish figures harking back to the glory days of empire. However, the reality of the modern world creates potential for a 21st-century Commonwealth that far exceeds anything that most people associate with it today. We have heard a lot in this debate about kith and kin, historical and cultural relationships, and development. We have heard powerful speeches on those issues, but I wish to turn principally to the economic relationships.

Let me say at the outset that I do not claim originality for the fundamentals of this idea, which have been expounded in many articles and speeches by my right hon. and noble Friend Lord Howell of Guildford. My hon. Friend the Member for North-East Bedfordshire (Alistair Burt) has just graced us with a powerful and profound speech about the challenges facing the modern Commonwealth and modern world. However, I take exception to his assertion that the world is increasingly breaking into power blocs. Lord Howell makes the opposite observation: he has marked the transition of global trade and politics from the superpower blocs of the cold war to what he calls a "network world"—one in which global communications technology is progressively neutralising many of the limitations imposed by geography that we grew up with and accepted as fact. It is a world in which, to quote my right hon. and noble Friend:

> "Thanks to the extraordinary power and pervasiveness of the information revolution we live in an era now not of blocs and pyramid tiers of power and management but of networks and meshes, both formal and informal.
>
> By accident as much as design the Commonwealth emerges from a controversial past to take a perfect place in this new order of thinking and acting."

Alistair Burt: May I add to that argument? I completely understand my hon. Friend's and Lord Howell's point, which is perfectly sensible. What I worry about is that we see world conflicts beginning to centre around the availability of resources. Under that pressure, will what my hon. Friend has described break down and will people go back to the power blocs with which they are familiar—based on ties, geography and economics? We might have to contract to deal with the problems of the future.

Mr. Jenkin: I understand my hon. Friend's point, which is about protectionism. We must guard against that, because protectionism will lead to precisely that kind of unhealthy competition between nations, as opposed to the healthy competition that derives from a system of free trade.

The Commonwealth could rapidly become an ever more powerful alliance without the disadvantage of a single dominating state, as there is in NATO, or a dominating group of states, as there is in the European Union or the United Nations. Such an alliance could be bound together by common interests to do with promoting free trade, democracy and international security. Furthermore—we must say this deferentially

and with tact—as an English-speaking alliance, much of the Commonwealth reflects British values of freedom, democracy and tolerance and retains a high regard for the United Kingdom and the role that we play in the world.

My central point today is that the Government, Parliament and the nation are not paying sufficient attention to the Commonwealth and that a more positive UK engagement with the Commonwealth would greatly benefit this nation, our trade, foreign policy and defence relationships, and the world.

The Commonwealth exists primarily because of trade, as did the empire that preceded it. Long before the Raj, the British were in India for trading purposes, and that was the case across the globe—British trade came before British governance. British governance has long since been confined to the history books, but the opportunity remains for British trade to flourish. As we have heard today, the Commonwealth comprises an amazing array of nations—rich and poor, large and small. The UK already trades extensively with Commonwealth countries. It is clear that Commonwealth countries, led by India and alongside China—with which the UK also shares a special relationship by virtue of our former colony, Hong Kong—are the coming force in the global economy.

EU gross domestic product is $14.5 trillion, slightly more than that of the US, which is $13.9 trillion. The combined GDP of the Commonwealth is already $7.8 trillion, or 16 per cent. of the global economy in 2006, and growing faster than that of the EU or the United States.

When we compare economic growth rates in Europe with those of the Commonwealth, it is painfully obvious that the Commonwealth presents the most fruitful opportunities for the expansion of British trade in the future. Since 2000, growth in the eurozone has averaged 2 per cent. per annum, but in Canada the average has been 2.9 per cent.; in Australia, 3.3 per cent.; in New Zealand, 3.4 per cent.; in South Africa, 4.2 per cent.; in Malaysia, 5.4 per cent.; in Nigeria—one of the growing number of African countries that is now a net exporter of capital, which is not what we expect—5.5 per cent.; in Singapore, 5.7 per cent.; and in India, 7 per cent. Many Commonwealth countries are becoming the motors of the global economy of the future. The Commonwealth also contains 13 of the world's fastest-growing economies. They also comprise, outside the US and Japan, all the key cutting-edge countries in information technology and e-commerce.

We are not yet making the most of these opportunities. In 2006, the UK exported £26.8 billion of goods and services to Australia, Canada, Malaysia, India, Nigeria, Singapore and South Africa—barely more than the £24.1 billion that we exported to Ireland alone. The combined population of these Commonwealth countries is 1.38 billion, compared with 4.3 million in Ireland. We share an affinity with Commonwealth countries every bit as potent as, say, with Ireland. I am much taken with the idea that we should invite Ireland to rejoin the Commonwealth, and I hope that that point, which was made by the hon. Member for Thurrock (Andrew Mackinlay), will be taken up by the Minister. These relationships are all the more potent because we can be the Commonwealth representative in the EU as well as being the Commonwealth representative as a permanent member of the United Nations Security Council.

Hugh Bayley: One of the great benefits of the enlargement of the European Union is that three Commonwealth countries—Malta and Cyprus, as well as the UK—are now members of the EU, and we should be working together to deliver Commonwealth policies in Europe.

Mr. Jenkin: I do not quite see a Commonwealth axis emerging in the European Union, but I entirely agree with the sentiment expressed by the hon. Gentleman.

The point about the Commonwealth countries is that there is a natural commonality of language, law, accounting systems and business regulation that lends itself to trade between those countries. As these countries grow richer, is there any reason why they should be less attracted to British goods and services than, say, European countries? The Prime Minister tells us that 3.5 million jobs depend on trade with the European Union, but there is a danger that by focusing too narrowly on European trade we are ignoring the possibility of creating millions more jobs with our Commonwealth partners. Indeed, the Prime Minister himself has said that

> "whenever the choice has been between protectionism and the open seas, Britain has chosen the open seas...we, the British people, have chosen to see the Channel not as a moat but as a highway to the rest of the world".

I commend those words, but there is a danger that we are missing that boat.

This prompts the question of what a British trade policy might be were we to develop more freedom under the EU customs union and therefore be less obliged to apply a purely EU tariff regime to all imports from Commonwealth countries. As the EU continues in relative decline and the Commonwealth and China roar ahead, how is the balance of advantage for British trade likely to shift in that environment? It is ironic, amid all the talk that we are hearing about aid, that the EU is in the process of imposing so-called economic partnership agreements on many Commonwealth countries—not, I imagine, something that the UK Government are entirely happy with. Many African, Caribbean and Pacific countries have refused to sign the pro-forma agreements offered by the European Commission, resulting in a tangle of separate and complex agreements for different, often neighbouring nations. We are therefore likely to see increases in tariffs on exports from some of the poorest countries in the world.

Much has been made of British and EU aid flows to Commonwealth countries, but in the longer term the trading relationship could be far more important than the aid relationship. I hope that our European Union partners wish us to be a good member of the Commonwealth as much as they want us to be a good member of the EU. That should not present any sort of conflict, nor should positive membership of one lead to neglect of the other.

Trade is vital to our prosperity. Napoleon derided the English for being a nation of shopkeepers only because the UK was so good at being a trading nation. But in these uncertain times, the Commonwealth offers a vehicle for political co-operation and international action that is unparalleled by any other global institution. The Commonwealth is an institution with members in all continents. It has more than 500 million Muslim inhabitants, for example, and it supports

[Mr. Jenkin]

democracy throughout the globe. Freedom House, the US-based non-governmental organisation, produces an annual freedom index based on the political rights and civil liberties of each nation's population. In 2008, there are 54 countries outside Europe that Freedom House reckons to be free, and 26 are members of the Commonwealth. A further 18 Commonwealth countries are reckoned to be partly free and only five are judged to be not free. The Commonwealth, therefore, is a beacon for democracy and human rights in parts of our world where that light is sometimes at its dimmest. Six of the 11 free nations in sub-Saharan Africa and eight of the 16 free countries in the Asia-Pacific region are in the Commonwealth.

The geographical, racial, cultural and religious diversity of the Commonwealth is one of its great strengths. Its values are our values and we must remain fully engaged with it if we, other member countries and the rest of the world are to continue to benefit from it. The Minister mentioned climate change as an initiative to be pursued through the Commonwealth and we can do a great deal to address that agenda, along with the promotion of biodiversity, the saving of rainforests and other environmental initiatives.

As these nations grow in economic significance, so their influence, military and aid capabilities are likely to grow. We are already joined with Canada, Australia and other Commonwealth nations in military operations in Afghanistan, for example. Canada is a member of NATO; Australia is obviously not, but that suggests a huge potential for NATO to develop more formal association agreements with a range of non-Euro-Atlantic powers for the purpose of multinational operations. Some Commonwealth countries are already represented at NATO headquarters at Mons in Belgium. Perhaps there is even a case for the Commonwealth flag to be flown on Commonwealth peacekeeping operations.

Mrs. Curtis-Thomas: Will the hon. Gentleman clarify the type of Commonwealth countries that he thinks ought to be part of an economic trading agreement? Do they include, for instance, countries that could be classified as post-conflict or fragile states, and what sort of criteria would he expect to have in place that would allow those countries to participate in the trade that he is talking about and of which I know they would like to be a part?

Mr. Jenkin: I am an advocate of free trade, and ultimately, I would like a barrier-free world. The ideals of an open and free market that we have pursued in the European Union were ahead of their time. They foreshadowed globalisation, and the Commonwealth is an opportunity to extend such freedoms beyond the shores of Europe. I do not see that we need to categorise particular nations as post-recovery and so on. We have to be careful, however. The problem with the economic partnership agreements is that they require reciprocal liberalisation of a nation's tariff regime alongside that of the EU. That makes demands on some poorer countries that are impossible for them to accept. Their tariff regimes often provide an important component of their income and removing that would rob their Governments of their means of self-sustenance because they do not have a natural indigenous tax base. Secondly, they have fledgling industries that are often not very competitive, which would simply be swamped. We remember the business of the substitute milk products that flooded some African economies and destroyed indigenous production of food for children and babies.

As those countries emerge from being so far behind economically, the sort of agreements we need with them will have to tolerate a degree of protectionism for those economies until they emerge strongly enough to take part as full members of the global economy. I hope that that answers the hon. Lady's question. It was a very complex one, so I doubt that I have answered it as fully as it deserves.

I was coming on to the sort of defence relationships that could develop throughout the Commonwealth. I would point out that there may be a case for the Commonwealth flag to be flown over Commonwealth military bases in certain peacekeeping operations. If it is okay for the EU to fly the flag over military operations, why not the Commonwealth? We have more in common with many Commonwealth nations than with many EU nations, so we should not be confined by a narrow Euro-centric view of potential threats to our security or of the possibilities of resolving them through co-operation with nations beyond the EU or NATO. That should be attractive to the US and to European nations seeking to widen the burden sharing of multinational security operations as well as to those who want to encourage groupings to emerge that will counterbalance the tendency of the US to dominate militarily in the world.

There is a danger, Mr. Deputy Speaker, of the Foreign and Commonwealth Office directing too little of its attention towards the Commonwealth part of its remit. My right hon. and noble Friend Lord Howell of Guildford suggests that it should be called the Commonwealth and Foreign Office in order to concentrate the minds of Ministers and officials. Unlimited hours of officialdom have generated reams and reams of paper about our relationship with the EU—we are all guilty in this House, me included, of giving so much attention to that relationship—yet relatively little effort is devoted to the Commonwealth and the huge economic and political potential it represents in the 21st century.

It is, of course, right, given our role in the EU, that the FCO should be concerned with our engagement with that institution and our partners in it, but I would suggest that more attention needs to be paid to the Commonwealth and how that institution can be developed and strengthened. Otherwise, we run the risk of being too parochial, too narrowly European and not global enough in our outlook.

Other countries recognise the political and economic importance of Commonwealth countries and are investing in them. Some of that, such as the American engagement with India, is welcome. Other developments, such as the massive Chinese investment in sub-Saharan Africa, are not so welcome, and *The Economist* recently described that as marking the Chinese out as "the new colonialists". They are ruthlessly and single-mindedly exporting their population to many African countries in order to exploit their mineral and natural resources, often with little regard for the long-term environmental consequences or, tragically, for the human rights of either their own people or the indigenous populations.

Mrs. Curtis-Thomas: I rise to support that comment, because I have my own experience of what the hon. Gentleman is describing in respect of Sierra Leone and other west African countries, where the Chinese role is nothing but flagrant opportunism. Everything is being taken out and, as far as I can see, absolutely nothing is being put back.

Mr. Jenkin: At risk of extending my remarks further than necessary, I think that both Chinese and Russian involvement in the African continent presents a potential security threat. It is, of course, a gloomy symptom of that threat that the United States has felt it necessary to open an African headquarters for its military. One is horrified at the prospect of a sort of rerun of what happened in Africa in the 19th century, as dominance over the continent is effectively fought over by proxy by the superpowers once again. If we can possibly avoid that, we should. I submit that there is a huge role for the Commonwealth in trying to prevent that from happening. I ascribe no malicious intent to the Americans, who are reacting in the only way they can; otherwise, the continent will become an unchallenged space for China and Russia.

Engagement with the Commonwealth should therefore be at the front and centre of our foreign policy, beyond the borders of our own continent. Winston Churchill believed that the UK needed to be as committed to its relationship with Europe as to that with the United States and the Commonwealth. Of course, the world has changed greatly since Churchill's day, but it is striking how, after decolonisation, the Commonwealth as a network of powers is on the march once again. Economic growth and globalisation have the potential to transform the Commonwealth into a body of increasing importance. But I fear—I put this to the Minister—that a speech of just 16 minutes from a junior Minister is an indicator that the Government do not attach to the Commonwealth the importance that it will increasingly deserve. I very much hope that she will recompense us in her closing remarks.

5 pm

Simon Hughes (North Southwark and Bermondsey) (LD): Had the Commonwealth not just appointed a new secretary-general, I would have just heard an extremely eloquent bid from the hon. Member for North Essex (Mr. Jenkin) to be considered for that post. I was pleased that he put the case strongly for the Commonwealth to be recognised, valued, appreciated and objectively assessed for the huge benefit that it is and can be.

At nearly the end of an absolutely fascinating debate, I reflect on the fact that eight weeks ago I started my weekly pestering of the Leader of the House for a Commonwealth debate as near as possible to Commonwealth day, not just for this year but as a regular feature of parliamentary life. I hope that hon. Members feel that that request has been vindicated. I agree with colleagues' comments that Parliament could do even more to recognise the Commonwealth at around the time that it is recognised across the Commonwealth. There is absolutely no reason why we could not have a fixed point in the calendar—just as the second Monday in March is Commonwealth day—which could be protected, as other business can be, to allow us to debate the huge, historic, current and future benefit that we have as part of the Commonwealth and that the Commonwealth gives to the world.

A lively debate took place yesterday on the future of the post office network in this country, against the backdrop that many of the post offices that we value will be closed down, which many people regret. The good news is that no one in the House wants the Commonwealth to be closed down—absolutely the contrary. We ought not just to stand up for the Commonwealth, but to reflect on how beneficial it is, and to see whether we can build on its current state, which is already healthy, but it could be an even healthier contributor to the world.

Some particularly notable speeches have been made. I hope that the Minister will feed that back to the Foreign Secretary and his colleagues, so that when he leaves for his Easter holiday, he realises that he is the Foreign and Commonwealth Secretary, or the Commonwealth and Foreign Secretary, and not just one rather than the other. The hon. Member for Mole Valley (Sir Paul Beresford) made a hugely impressive, extremely moving speech about the historic, practical, trade and cultural links between New Zealand and this country. It caused me to reflect that a number of parliamentary colleagues in my lifetime have had a Commonwealth background. Edwin Leather is the first one I remember having been a Canadian citizen and a Member of this Parliament. I am conscious that the hon. Member for Hackney, North and Stoke Newington (Ms Abbott) has clear links to the Caribbean. We have had members with South African, Australian, Guyanan, Ghanaian, Pakistani and Indian links, as well as New Zealand links—and perhaps other Commonwealth links, too. Ours has become a Parliament that reflects the interchange of peoples, and I hope the Government and all their works understand that.

I was pleased to hear the hon. Member for Thurrock (Andrew Mackinlay) make the case for us to be proactive in arguing for Ireland to return to the Commonwealth, a case that I support without reservation. The old reasons for difference have gone now. Yes, we are a monarchy and Ireland is a republic. We are a proud monarchy, and Ireland is a proud republic, but the reasons for the breakdown of relations in the first decades of the last century have gone, and we have moved on. Today the Queen was in Armagh, distributing the Maundy money for the first time in that part of the United Kingdom. That must be a sign that we are ready to return to what was a wonderfully civilised relationship. It does not mean that we must always agree with each other. It means that we can do what my brother did the Saturday before last—go to Croke Park and yell furiously for Wales to beat Ireland, as it very satisfactorily did. We have done that occasionally, and I remember Wales beating New Zealand and Australia as well at Cardiff Arms Park during my youth.

Many of us, however, experience such cultural links on a day-to-day basis. Earlier in the debate I estimated that probably a fifth of my constituents, or even a quarter, were Commonwealth citizens, or at least had been born in other Commonwealth countries. There are communities from Nigeria and Sierra Leone—many of those people came here because of the terrible civil war in that country—and from Ghana. Incidentally, we have an outlet for Ghana's Fairtrade cocoa in SE1, just over the river. There are also people from Cyprus, on both sides of the divide, and from

[Simon Hughes]

Australia. I spent a very loud evening in a local hostelry at the end of last year hoping—unsuccessfully—that England would win the final of the World cup, surrounded by a large number of South Africans because the pub was frequented by people from South Africa. This is part of the warp and weft of our lives, and we are naïve if we do not pay it full heed.

As the hon. Member for North Essex pointed out, it is not a question of being pro-Commonwealth and anti-European, or pro-Commonwealth and anti the English-speaking world. We have three political traditions. We have the tradition of what was the empire, became the British Commonwealth and is now the Commonwealth, a fantastic quarter of the world with a third of the world's population: 2 millionpeople, from the biggest to the smallest nations. We have our continental neighbours, people with different languages but, by and large, a common Christian tradition, although other faiths have joined it. And we have the English-speaking world, which includes our link across the Atlantic.

We should value all those traditions, but in this place we spend far more time discussing European Union issues—not just recently, when we have been discussing them daily, but in general—than Commonwealth issues, and that is to our disadvantage. Our trade, educational, scientific and cultural advantages, and particularly the advantages connected with peace, conflict resolution, development and the reducing of inequality, are best dealt with in a Commonwealth context. My friend the hon. Member for North-East Bedfordshire (Alistair Burt) rightly reminded the House that, in our early political days, both he and I were very much formed by our visits to South Africa when it was outside the club because of its terrible racist regime. We saw a willingness to understand that that could not be a permanent solution because it denied fantastic cultural opportunities to South Africa, which is now back in the Commonwealth where it rightfully belongs.

I pay tribute to those who work at the centre of the organisation. Our Queen has always seen her job as head of the Commonwealth as central, and I pay tribute to her unqualified support for it throughout her wonderfully long reign, but I also pay tribute to the Commonwealth Parliamentary Association, which does a sterling job in ensuring that bilateral relations continue, and to others who work for Commonwealth organisations.

Last week I went to a service in Westminster Abbey organised by the Council of Commonwealth Societies, chaired by my noble Friend Lord Watson of Richmond. I looked at the back of the service sheet for the observance of Commonwealth day: it was called an observance because it was a multi-faith event. There was a list of 30 organisations that had contributed to that one event—30 Commonwealth organisations. They included the Association of Commonwealth Universities, the Commonwealth Broadcasting Association, the Commonwealth Business Council, the Commonwealth Countries League and the Commonwealth Education Trust. There is a whole network of organisations that bring people together. I have had the privilege to be involved with two of them in particular: the Council for Education in the Commonwealth, which works for the advancement of links between our universities, and the Commonwealth Youth Exchange Council.

The Minister intervened to try to explain the FCO decision of last week to remove some of the funding for Commonwealth scholarships. She wanted it to be understood that they would still be available but from a different budgetary head, because the Commonwealth Foundation would now handle developing countries, and the old Commonwealth countries would—as it were—have to bid for funding in other contexts. It does not appear that that will provide as many opportunities in future. For example, it is my understanding that postgraduate scholarships will not be available. I ask her to talk to colleagues in the education Departments, and also to Members who have made representations that it is likely that the new system will bring fewer people from the Commonwealth to the UK.

May I add a plea to that? To my certain knowledge, the funding of the Commonwealth Youth Exchange Council has been frozen, or frozen in real terms, over many years, but it has done wonderful work in making sure that youngsters from the UK go to places as remote and far away as Tuvalu to learn what life on the other side of the globe is like. I went to a wonderful gathering it organised in Sunderland of young people from all over the world. It showed the sheer excitement, and the learning and benefit, that can come from people from so many different and diverse cultures coming together at such an early and informative stage of their lives. I hope that we will continue to support such organisations, and I formally ask the Minister to review the funding of those Commonwealth organisations that have had their funding held, or held in real terms, to see if we cannot give them more investment in future.

There is a statistic that I did not know until I discovered it in preparing for today's debate: apparently, two thirds of all schoolchildren in this country have a family member who either lives in or came from a Commonwealth country. If that is the backdrop to the UK of today, I hope we will build very positively on what are already strong links. It is a time of change: that, rightly, was the Minister's tribute to the outgoing secretary-general of the Commonwealth, who stands down in a few days—on 31 March. Don McKinnon has done a relentlessly professional diplomatic job in all his time in that post, and I pay tribute to him. We also congratulate the outgoing Indian high commissioner in London, who has been appointed to succeed him at the beginning of April. It was, indeed, the incoming secretary-general, Kamalesh Sharma, who said that the Commonwealth is a unique force for good; they were not originally his words, but he repeated them.

If we look back at who has been the chairman-in-office of the Commonwealth over the years, we realise what a high-powered organisation it is, and that we must never underestimate it. It must be said that some former chairmen-in-office have slipped from grace: Mr. Mugabe was the chairman-in-office before power went to his head in a very tragic way. However, other chairmen-in-office include such people as Lee Kuan Yew, Pierre Trudeau, Michael Manley, Jim Callaghan, Kenneth Kaunda, Malcolm Fraser, Indira Gandhi, Lynden Pindling, Margaret Thatcher and Brian Mulroney. They are all serious, internationally big players with a huge amount to contribute. We must never forget that this is not just a club of the former colonies, but an organisation with highly astute and respected political leadership.

On 12 March, there was in this place a half-day conference chaired by Baroness Prashar about the impact of the Commonwealth on Parliament and the constituencies. Among others, Lord Howell of Guildford, who has already been mentioned, spoke at that conference. He argued passionately that we should be more effective in engaging in the affairs of the Commonwealth and trumpeting what it does.

James Robbins, the BBC's diplomatic correspondent, who chaired a session at last week's meeting, was reported as saying:

"the key questions for this session: Why is the Commonwealth not as high profile as it might like, and how can it 'get the story out there' more effectively? The fact is, although the Commonwealth has a lot of good stories to tell, it often fails to tell them. Although the Commonwealth is a fantastic brand, it seems reticent about trumpeting its core values and successes, such as the irreversible shift towards good governance. The recent example of Kenya is a case in point—Commonwealth observers of the contentious elections were slow to denounce them publicly, allowing the EU to steal the limelight."

A set of things that the Commonwealth does goes unrecognised, but the world needs those things to work well. The programme of what the Commonwealth secretariat did in its last reported period contained 15 subject headings: good offices for peace; democracy and consensus building; rule of law; human rights; international trade; investment; finance and debt; public sector development; environmentally sustainable development; small states; education; health; young people; gender equality and equity; and capacity building and institutional development. That is a serious agenda for ensuring that the world is a better place, a better governed place, a more peaceful place and a place where conflicts are resolved more effectively.

As my main request to the Government, I want to echo the conclusions of last week's conference. These points were also made in a debate in the House of Lords last year. Ahead of next year—the 60th anniversary of the Commonwealth's creation—the UK Government should reassess how we can support the Commonwealth better and engage with it more effectively. I know that we make the largest contribution to the secretariat, but two thirds of UK bilateral aid goes to Commonwealth countries. That is a serious reason for ensuring that we examine the whole picture. While keeping an eye on a country such as Nigeria, which has the largest number of people in poverty of any African country, we must not take not take our eye off a country such as the Maldives, which must address governance issues and severe threats from climate change.

I want to flag up the issues at home and abroad simply by recognising them rather than detaining the House by developing my points at length. We ought to build up the duties of Commonwealth observers at elections. It ought to be a matter of course that such work is done by Commonwealth members for Commonwealth countries and that it is seen to be an important part of the democratic process.

I would like us to be more active abroad in offering Commonwealth support for resolutions of conflicts. We still have not resolved the conflict in Cyprus; the conflict in Kashmir, which affects India and Pakistan, remains unresolved; and we must also deal with the terrible and continuing conflict in Sri Lanka. Of course there are diplomatic difficulties in all cases, and Governments have perfectly understandable views about their sovereignty, but valuable Commonwealth resources could be deployed to better effect.

Climate change and environmental issues are huge threats to many Commonwealth countries. If ever there was a reason for those issues to remain at the top of the G8 and UN agendas, the same one would apply in respect of their remaining at the top of the Commonwealth agenda. I hope that we will never forget the health agenda, particularly the need to eradicate malaria and tuberculosis, and the battle against HIV and AIDS. That is not just an African agenda issue; it is also an agenda issue in Asian Commonwealth countries, Caribbean Commonwealth countries and elsewhere. It would be a valuable help if the Government were to make those issues a priority.

The Government would be wrong to do away with the rights in relation to citizenship that people have traditionally had because of their Commonwealth links. Other hon. Members have flagged up their concern, and I wish to join them today, although I will also join in the formal consultation response. I can tell the hon. Member for Hackney, North and Stoke Newington that the first people to protest personally to me about the prospective change were from the Jamaican community, not the New Zealand community or the Australian community. They see it as a lack of recognition of the contribution that they have made over generations to this country. We have to listen to their voices. We talk about community cohesion, but people have to feel valued. People who have been here for generations should not have to ask for that, but should have it as a right.

I would be very troubled if we took away the right to vote from Commonwealth countries, as Lord Goldsmith's report suggested. I understand that it could be viewed as anomalous, but people from the Commonwealth have stayed here and retained their original nationality because they knew that we gave them a special status, with which came the vote. I hope that we can retain that status and that we will soon have a full debate about those rights.

I also hope that we can make it a routine that before the Heads of Government conference—it was in Uganda last year—we have a proper debate about Commonwealth issues on the Floor of the House. Then when the Prime Minister returns, he can report to the House and take questions, just as he does after a European summit.

The Westminster Foundation for Democracy is a very valuable organisation. I have had the privilege of going to Sierra Leone and having some involvement with supporting the offshoots of its political parties, both here and there. There is a huge amount of work to be done, but the hon. Members for Crosby (Mrs. Curtis-Thomas) and for City of York (Hugh Bayley) and others know how a little investment of money and time can give such encouragement to, for example, women who would not have thought of getting involved in politics, or to young people who have visions for changing the world but do not know how to go about it because they do not have the skill set. I want more researchers to share their experience with other countries. Parliamentary staff are now beginning to do that, as are people in local government, so good national and local leadership can be shared with other Commonwealth countries.

[Simon Hughes]

The message from this debate has been clear, although it has been put in different ways. There is huge affection for the Commonwealth and it is also highly valued. The Minister will have heard the message that we would like her to ensure that the Foreign and Commonwealth Office achieves a greater balance between the two parts of its responsibilities. We think that the Commonwealth is a very worthwhile body. It is a privilege to be part of such a wonderful worldwide organisation and it is a great force for peace and prosperity. I hope that the reaffirmation of that by this House of Commons will send a welcome message to the outgoing secretary-general and all his staff, and encouragement to the incoming secretary-general and his team. I hope that it also encourages us to ensure that we do not let these matters slide from the agenda for as long as they have done in the recent past.

5.23 pm

Meg Munn: This has been an excellent debate, with hon. Members presenting a wide range of issues, as I expected. It is difficult to do justice to the breadth of possible issues, even in a full afternoon's debate, but I was somewhat surprised by the churlish comments by the hon. Members for North Essex (Mr. Jenkin) and for Westbury (Dr. Murrison).

My opening remarks set the context for the debate, and it is especially interesting that the hon. Member for North Essex chose to comment, given that he managed to miss most of them. I wished to reply to all hon. Members in my closing contribution, and it seemed right to ensure that Back Benchers had the maximum opportunity to contribute—we have heard some very good speeches as a result. I pay tribute to the persistence of the hon. Member for North Southwark and Bermondsey (Simon Hughes), who has pushed for this debate. In his speech, he did justice to the case for the Commonwealth.

As I said in my opening remarks, I attended the meeting of Women's Affairs Ministers that preceded the Commonwealth Heads of Government talks in Kampala last year. I was able to experience at first hand the real benefits of talking to other Ministers in the Commonwealth, as we shared our experiences and looked at how we could continue to build our relationships. I assure the House that, as a Minister, I value the Commonwealth. My departmental colleagues do too, and we are conscious that the proper title is the Foreign and Commonwealth Office. The word "Commonwealth" is an important part of that title, and it will remain so.

My hon. Friend the Member for City of York (Hugh Bayley) has said that the Commonwealth is a diverse family of nations, and I cannot improve on that description, which really sums it up.

The hon. Member for Westbury, who is not in his place, talked about the important role played by Commonwealth citizens in our armed forces. I recognise that role and pay tribute to them, as I also pay tribute to Private Johnson Beharry, who was recently awarded the Victoria cross.

The hon. Member for North Southwark and Bermondsey spoke about peacekeeping, in which the Commonwealth plays an important role around the world. I want to put on record my appreciation of that work: the Commonwealth provides just over half of the world's peacekeeping forces, and the biggest contributors are India, Pakistan and Bangladesh.

My hon. Friend the Member for Thurrock (Andrew Mackinlay) argued passionately in favour of Ireland resuming its membership of the Commonwealth. He is not in his place, but if he were, he would be disappointed by my reply, which is that Commonwealth membership is a matter for Ireland. That is not a comment on the British Government's view of the matter, because Ireland could always apply to renew its membership of an organisation from which it withdrew in 1949. I have not researched the history in detail, but I know that Ireland has the option of applying for Commonwealth membership.

The hon. Member for Billericay (Mr. Baron), who is also not in his place, challenged me to say how the Commonwealth is a force for good. I could point to a number of the speeches that we have heard this afternoon, but instead I shall say a little more about education. Various hon. Members asked about Commonwealth scholarships, but I hope that I have made it clear that we must prioritise resources.

That is not something that Opposition Members have to deal with, and even in their shadow policies they struggle at times to be clear whether resources would go up or down. In contrast, the Government have set out our priorities, and we believe it important to ensure that money benefits poorer countries.

I turn now to what the UK is doing for education in the Commonwealth in the wider sense, as scholarships are available only to people who have reached a certain level of education.

Mrs. Curtis-Thomas: My hon. Friend the Member for Thurrock (Andrew Mackinlay) was not denying that it was up to Ireland to apply for readmittance to the Commonwealth. He merely suggested that Britain might like to write to the Irish Government, asking whether they had considered making such an application and making it clear that they would be very welcome in the Commonwealth. Is that an impossibility as well?

Meg Munn: The Commonwealth is not the "British" Commonwealth, so it would be for a range of countries to take a view on that. If Ireland wished to apply, it would be to the Commonwealth secretariat. I am sure that Ireland would meet the criteria, and that if it did want to apply, we would have not objection. We are keen for countries that meet the criteria to join; for example, I shall talk about Rwanda later.

The Government will be spending £8.5 billion on education globally by 2015. At present, about two thirds of our bilateral spending on education is in Commonwealth countries. At the end of 2007, the Government announced a new package of support for education in Nigeria, totalling £106 million. Overall, the Government are providing £50.8 million to support scholarships and study awards over the next three years, increasing our funding to £17.5 million per annum by 2011-12.

In Commonwealth countries, the number of primary-age children out of school dropped by 18 million between 2000 and 2005, but 30 million primary-age children still remain out of school, of

whom 17 million are girls. We should be extremely concerned about that. At CHOGM in Kampala, the Heads of Government committed to redoubling their efforts to deliver education for all: to enrol the 30 million children now out of school, to eliminate gender disparity in primary and secondary education, and to strengthen education systems in countries affected by conflict. The UK will continue to support the Commonwealth in meeting educational aspirations. I am sure that all hon. Members agree that support for children of primary age is particularly important, because if children are not educated at that age they will have no hope of taking a scholarship later on.

Hugh Bayley: I am sure my hon. Friend agrees that the main responsibility for getting children into primary school lies with the Government of their country. Our aid is important, but without the political will of a country's Education Minister and Head of Government things will not happen. Does that not describe what is so important about the Commonwealth? We in Britain have the aspiration that every Commonwealth child should go to school, and we have a club—an association—where we can talk to those in charge of the Government in countries where that is not the case.

Meg Munn: My hon. Friend is entirely right. Once again, he has demonstrated the benefits of the Commonwealth—

Mrs. Curtis-Thomas *rose—*

Meg Munn: Perhaps my hon. Friend will contain herself for a moment, as before I leave the issue of education, I want to pick up a point that she raised earlier. The work of the British Council is enormously important not only in Commonwealth countries but around the world. I know from my regular contacts with the regions for which I am responsible that those regions value British Council input. Indeed, there are often demands, particularly for help in spreading the learning of English.

Mrs. Curtis-Thomas: May I provide a word of caution? One of the learning and development goals is to provide every child with a school place by 2015, but if that means doubling classroom capacity so that children are in classes of 160 rather than 80, it will not produce well-educated children. Will my hon. Friend remember that point? We must insist on the fact that we not only want children in school, but want to ensure that the education they receive is of good quality, with some chance of providing them with employment.

Meg Munn: My hon. Friend is right that quality of education is important.

I want to address the important issue of the 60th anniversary in 2009, which several hon. Members have mentioned. It will be an occasion to celebrate, but as yet no plans have been made. As hon. Members are aware, the new secretary-general takes office within the next few weeks, and it would be strange to make plans for something as important as that commemoration and celebration before then. The UK Government are keen to discuss with fellow member states how to mark the anniversary; as the hon. Member for Mid-Norfolk (Mr. Simpson) has said, it will be a time to reflect on the progress of the Commonwealth's work over 60 years and take stock.

The hon. Gentleman also asked me about Foreign Office strategy. One of our four policy priorities—we have focused on fewer priorities, as he will be aware—is effective international institutions, which is important for the Commonwealth, too. That builds on the work done at the Commonwealth Heads of Government meeting, where my right hon. Friend the Prime Minister was one of the Heads of Government responsible for the new Commonwealth mandate on reform of the international institution. It is important to recognise—this responds to other hon. Members' comments, too—that under the Foreign Office's overall strategy, we will move resources from Europe to support our policy priorities. All those priorities are relevant to Commonwealth countries.

The hon. Member for Mole Valley (Sir Paul Beresford) raised the issue of ancestry visas, as did a number of other hon. Members. As I said earlier, I have been lobbied on that issue by the New Zealand high commissioner, and I understand that he submitted a substantial document to the consultation. The high commissioner also raised with me the matter of visas for visitors and the need to return to New Zealand to reapply—a subject referred to by the hon. Gentleman—so the issue has been raised with us. The Foreign Office is in close touch with the Border and Immigration Agency, too. A consultation is being held, and no decisions have yet been made.

The hon. Member for Romford (Andrew Rosindell) mentioned an issue that he persistently raises and about which we have had a number of discussions—overseas territories. He spoke about the Cayman Islands and hurricane preparedness. I, too, have visited the Cayman Islands. As he will remember, Hurricane Ivan devastated the whole area, and the Royal Navy initially went to help another island that was suffering to a much greater extent in terms of the immediate need for humanitarian aid—fortunately, there were only two deaths in Cayman Islands. I know that there was huge devastation—I saw the pictures myself when I was there—and we are conscious of the importance of good preparedness for disasters in all our overseas territories, particularly those in the area to which we are referring. I am certain that our plans are much more developed than they were at the time.

The hon. Gentleman also mentioned his concerns about the flags at the trooping of the colour and wreath-laying by the Foreign Secretary. I have offered to have further discussions with my hon. Friend the Member for Chorley (Mr. Hoyle), particularly on wreath-laying. The issue was last looked at in 2004, as I understand it. I am happy to have further discussions, and I am happy for the hon. Member for Romford to join them, if my hon. Friend the Member for Chorley has no objections. I am sure that the hon. Member for Romford has had the issues concerning the trooping of the colour explained to him, and we can discuss that subject, too.

The hon. Member for North Southwark and Bermondsey raised the important issue of the Commonwealth Youth Exchange Council, and I pay tribute to his work as a council member. We support the excellent activities that the organisation undertakes.

[Meg Munn]

In particular we support the Commonwealth youth forum, which the council organises and which meets at the margins of every Commonwealth Heads of Government meeting. Representatives from the youth forum relay the conclusions of their discussions to Foreign Ministers at CHOGM, allowing the politicians of the Commonwealth to hear directly what its young people are saying. I also commend the council's work in creating strong, lasting links between young people in every part of the Commonwealth. The hon. Gentleman asked some questions about funding, and I am happy to get further information on the points that he raised. Perhaps he can give me details after the debate on areas of particular concern to him, in which case I could respond more fully.

Before I move on to give a little tour of the world, let me respond to the question, "What good is the Commonwealth doing?" which was asked by the hon. Member for Billericay. I referred in my opening speech to the report by Amartya Sen called "Civil Paths to Peace".

The Government were a major funder of the Sen report and in CHOGM in November Heads of Government mandated the secretary-general to work up an action plan to implement the recommendations from "Civil Paths to Peace". We are now engaged in putting together examples of best practice in countering extremism in UK communities. All member states are doing the same and the results will be pooled next year.

The hon. Member for North Southwark and Bermondsey mentioned the rights of Commonwealth citizens and the right to vote. As he is aware, the independent report produced by Lord Goldsmith is before the Government, who are considering it. In fact, it is with the Ministry of Justice and no final decision has yet been made.

A number of hon. Members, unsurprisingly, mentioned climate change. As hon. Members will be aware, it is one of the four policy priorities for the FCO. The hon. Member for East Dunbartonshire (Jo Swinson) talked about the need for greater urgency. We are considering the issue very carefully, which is why we are moving resources into that priority in our missions around the world. At the initiative of the UK, Commonwealth Heads of State launched the Lake Victoria action plan on climate change at CHOGM. That major statement from a quarter of the world highlighted the urgency and gravity of the situation. The UK was delighted that the Commonwealth was able to commit in the action plan to the pursuit of ambitious solutions, in particular through the UN framework convention on climate change, to promote a better understanding of climate change and its impact and to address mitigation and adaptation challenges.

My hon. Friend the Member for Hackney, North and Stoke Newington (Ms Abbott) mentioned climate change in relation to the Caribbean. I know that she is aware that I visited the Caribbean, because I was surprised to be told that a guest at a reception at the residence would be my hon. Friend. She will have seen the impact of Hurricane Dean, as I did. Thankfully, the human impact was limited, but one thing that I discovered that I did not know before was the impact on such things as coffee growing. Although the damage looked relatively minor, because the roots of the coffee plant need to be kept secure such weather could impact on coffee growing and therefore on Jamaica's trade for a considerable time to come.

When I visited the Dominican Republic and went on to the Cayman Islands, I was caught up in tropical storm Olga—I was not sure whether I was following it or it was following me. Although that storm was relatively minor compared with a hurricane, there were still deaths in the Dominican Republic. I saw at first hand what climate change and the increase in the number of storms means. The storm should not have happened, because it was December—the storm and hurricane season is supposed to end in November—so the changes in climate are impacting on these regions.

Ms Abbott: As well as the effect on the economy in terms of coffee growing, tourism and so on, another effect of climate change in such islands and small island states across the world is that people who have built their houses in exposed parts of their country have to keep rebuilding their homes year after year—sometimes after less than six months. We need to provide more support and the technical infrastructure to avoid such devastation.

Meg Munn: I agree entirely with my hon. Friend. I was just about to talk about some of the development issues that were raised so eloquently by the hon. Member for North-East Bedfordshire (Alistair Burt).

The Commonwealth has a fund for technical co-operation that is the development arm of the Commonwealth secretariat. It is a key area of activity. Recently, that fund was subject to an independent evaluation, which recommended that it should link programmes to national development strategies and to the plans and priorities of other agencies. The Government will work with the Commonwealth secretariat to help it to focus on better co-ordination with other development partners to allow a greater development impact. I agree with hon. Members that one way in which we can be most helpful to a number of Commonwealth countries and to our overseas territories might not be through direct financial support but through providing the technical support and guidance that is not necessarily available.

I am now going to try to cover the range of countries that Members took us round. I am somewhat relieved that we did not quite get to all 53, because I certainly would not have had time to respond on all of them. My hon. Friend the Member for Crosby (Mrs. Curtis-Thomas) and the hon. Member for East Dunbartonshire both spoke about Sierra Leone. My hon. Friend's speech was very powerful and extremely interesting. The UK is Sierra Leone's largest bilateral donor, as I think she said. We have given £210 million to it in development assistance, and this financial year the Department for International Development will give up to £50 million. Up to £15 million of DFID's annual assistance is in the form of direct budgetary support; the remainder is focused on a set of programmes that are improving governance, tackling corruption, promoting pro-poor sustainable growth and supporting basic service delivery and human development. It was heartening to hear from my hon. Friend and the hon. Lady about their

direct experiences of discussions with the new parliamentarians. As I said in my opening speech, the work of the Commonwealth Parliamentary Association is to be applauded. That parliamentarian to parliamentarian link should not be underestimated, and I was heartened by what my hon. Friend and the hon. Lady saw and told us about.

My hon. Friend also mentioned the special court—a tribunal created to prosecute those with the greatest responsibility for crimes committed during the country's civil war. We have provided £5 million toward its running costs. This year, the UK also contributed £13 million and 72 personnel to the UK-led international military advisory and training team. In providing us with that information about Sierra Leone, my hon. Friend and the hon. Lady have done us all a great service. However, it demonstrates that there is still a long way to go, and we need to maintain our involvement and to keep encouraging the move toward good governance and development in that area.

My hon. Friend the Member for Hackney, North and Stoke Newington spoke movingly about the Caribbean. She set out her concern that it has slipped down the agenda, and I am sure that she is not surprised to hear me say, as the Minister with responsibility for the Caribbean, that I dispute this. I will be making my third visit to the Caribbean next month because I do feel that this is an important region. There is a range of issues that we need to tackle there, and support that we need to give. I do not think that my hon. Friend was in the Chamber during my opening speech, when I spoke about the Prime Minister's meeting with the Caribbean Heads of Government. We should also note the very important UK-Caribbean ministerial forum that will be taking place this summer in London, the agenda for which will focus on climate change and economic development.

Mr. Jenkin: The hon. Member for Hackney, North and Stoke Newington (Ms Abbott) spoke very eloquently about how the social and drugs problems in the Caribbean finish up in our own cities. What is the prospect of the United Kingdom's providing the Caribbean guardship that we used to provide on a far more extended basis for anti-drug work in the Caribbean, which we do not seem to have the resources to provide now?

Meg Munn: If the hon. Gentleman will bear with me, I will come in a moment to the issue of drugs and crime, which I was going to cover in any case.

Ms Abbott: On the forthcoming UK-Caribbean forum, such forums are very much enjoyed by the Caribbean Heads of Government who go to them, but people have noted that nothing seems to come of them.

Meg Munn: I am disappointed to hear that, and I should be interested to have some more detailed feedback. I will certainly give my commitment, as the Minister currently responsible for our relationships with the Caribbean, to seeking some positive and tangible outcomes from that forum.

My hon. Friend also spoke about the Caribbean Board. I agree with her assessment that now is a good time for us to look at its role and to consider whether, in its current format, it is the best way for Ministers to be informed about issues relating to the Caribbean by the wide range of people with Caribbean backgrounds and experience who live in the UK. My hon. Friend knows that I am always keen to hear from people outside London, as well as from those who have easier access to Ministers. We are actively exploring wider opportunities around the country and perhaps also in Scotland to talk to Caribbean people throughout the UK and hear their views. I should be interested in her ideas about that.

The Foreign and Commonwealth Office is extremely concerned about the issue of crime and drugs. Hon. Members know that my hon. Friend the Minister for the Middle East, who has many other areas of responsibility, takes the lead on drugs and crime, and visited Jamaica in the relatively recent past. A great deal of work has been done to disrupt the drugs trade and deal with the crime issues. The UK provided £96 million directly and indirectly to the Caribbean in 2006-07, including £36 million directly through DFID programmes and resources to the Caribbean Development Bank. That covers some of the points made by my hon. Friend the Member for Hackney, North and Stoke Newington about the importance of developing the economy and opportunities for young people to work.

Ms Abbott: On the interception of drugs, my hon. Friend knows that one of the major sources of drug problems in the Caribbean is cocaine, which comes across from south America and is then shipped out. It comes across on fast speedboats, which are faster than anything that the Jamaican defence forces have. As I said earlier, we could do a lot more to offer them support in the form of equipment to intercept those speedboats.

Meg Munn: I shall look further into the issues that my hon. Friend raises. We have had some success in disrupting the drugs trade but it is a serious problem. We are also working in some south American countries to try to stop production. The role of my hon. Friend the Minister for the Middle East is important in that respect.

As part of the support that we give, we waive £5 million to £6 million of Jamaica's debt annually and we provide 13 per cent. of the EU contribution to Jamaica. Major projects include assistance to the programme to reform the Jamaican police force, programmes related to social development, support for the public sector reform programme and assistance to the private sector to enhance the competitiveness of Jamaican exports.

The hon. Member for North Essex spoke about broad trade issues and about economic partnership agreements. The economic partnership agreements that have been negotiated, particularly in the Caribbean, are important as they will increase access to EU markets and can bring positive benefits to the economies of Commonwealth countries. I am aware of the tariff issues that he raised. There have been detailed discussions to try to reach a satisfactory outcome. A good Doha deal would benefit Commonwealth countries, rich and poor alike.

I agree with the hon. Gentleman that the evidence is overwhelming that, given the right support and

[Meg Munn]

context, trade is a hugely powerful driver of economic growth and poverty reduction. Forty-three of the African, Caribbean and Pacific countries did not sign economic partnership agreements. Of those, 32 are least developed countries that will now trade under the "Everything but Arms" initiative, benefiting from duty-free, quota-free access to EU markets. For the other 11 countries that did not sign an EPA, we expect minimal, if any, trade disruption.

I shall deal briefly with Kenya and the role of the Commonwealth there. The Commonwealth observer mission played an important role in highlighting deep flaws in the Kenyan elections and denying them legitimacy. The ensuing crisis brought to the surface long-standing grievances about matters including democratic governance.The Commonwealth has fully supported the Kofi Annan mission to broker a deal and it is good that the Annan process has worked and that there is agreement between both sides. It is important that Commonwealth expertise, including on electoral reform, is now fully engaged in supporting the implementation of that power-sharing agreement. As we all know, the important thing was not only getting the agreement, but ensuring that things changed as a result.

I am delighted that Kamalesh Sharma will be the next secretary-general of the Commonwealth. We already have a good relationship with India over Commonwealth issues, and I am sure that having the secretary-general there will be positive for the Commonwealth. I look forward to that relationship deepening even further. The next Commonwealth games are in New Delhi in 2010. The Prime Minister recently visited India for the UK-India summit and had discussions on trade and education, with the Prime Minister highlighting a development assistance package of £825 million. There was also a focus on achieving the millennium development goals, counter-terrorism and climate change.

I am sorry that during my brief break from the Front Bench I missed most of the speech by the hon. Member for Mole Valley, but I will certainly read it in *Hansard*, because it was praised by many hon. Members. The UK Government value the special relationship with both Australia and New Zealand, and the reciprocal arrangements in place. We recognise that large numbers of Australian and New Zealand nationals regard their ancestry as British, so we take seriously the comments made by hon. Members, and as I have said on more than one occasion, the consultation is still open and no decisions have yet been made.

A less positive subject that some hon. Members referred to was Zimbabwe. Obviously, Zimbabwe is no longer a member of the Commonwealth, but the plight of the Zimbabwean people should and does remain a pressing issue for many Commonwealth countries. The elections are only a few days away and there are real concerns that the people of Zimbabwe will not be able freely to exercise their democratic rights. Neither the UK nor the Commonwealth has been invited to observe the elections as we are cast as unfriendly, but we continue to monitor the situation closely.

Rwanda provides a more positive story, and the hon. Member for North-East Bedfordshire (Alistair Burt) paid tribute to the much greater representation there of women than any of our parties have. They top the league. Obviously, the decision on Rwanda's membership lies with the whole membership of the Commonwealth. The criteria for membership were reviewed at the 2007 Commonwealth Heads of Government meeting, where Heads decided to retain the requirement that applicants should have a constitutional link with an existing member, but they accepted that in exceptional circumstances applications could be considered on a case-by-case basis, and that paved the way for Rwanda to join in 2009 at the next Commonwealth Heads of Government meeting at the latest.

As I said in my opening speech—and I was echoed by the hon. Gentleman—the Commonwealth cuts across traditional alliances and regional blocs. It matters greatly to the United Kingdom. It is not a matter of nostalgia and thinking about how things were; it is recognising that the Commonwealth is important on the international scene today. The Commonwealth is respected by others for what we do and the way in which we do it. It is positive about the future and others want to join it. Working together, we can ensure that the Commonwealth remains relevant, working with and for its entire membership in responding to the key challenges of the 21st century. We in the UK will play our full part in this important work.

Question put and agreed to.

Resolved,

That this House has considered the matter of the United Kingdom and the Commonwealth.

Border and Immigration Agency

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. David.]*

5.59 pm

Andrew Stunell (Hazel Grove) (LD): I thank Mr. Speaker for allowing me to take this slot in the Chamber and I also thank the Minister, who has been working hard to address the issues that I plan to raise; I want to put that on the record.

I requested this debate to bring to the attention of the House the performance of the Border and Immigration Agency, particularly in respect of two of my constituents. Their circumstances are quite different and they are unknown to each other. Unfortunately, both have been caught up in trying to get straightforward answers to simple questions—from what I think is the United Kingdom's most opaque and unhelpful bureaucracy.

I shall first deal with the case of Mr. Gerard Nkomo Nsenga and then with that of Mrs. Chatellon Matibag. Mr. Nsenga is Rwandan. He, his wife and their two children entered the United Kingdom as refugees in August 2002 and claimed asylum. His wife and children were granted indefinite leave to remain on 4 October 2002, but he was refused. He appealed, and after an interlude of missing paperwork—sorted out for him by the hon. Member for Bolton, North-East (Mr. Crausby), in whose constituency he was then resident—he came before a tribunal of the immigration appellate authority on 15 August 2003. There, a Mr. McVeery, appearing for what was then called the immigration and nationality directorate, told the court that the Department's refusal of Mr. Nsenga's asylum was an error and that his application was no longer being contested.

On that basis, Mr. Nsenga withdrew his appeal without a hearing and he was subsequently granted leave to remain in the United Kingdom. For reasons that are certainly obscure to him, that was not the indefinite leave to remain that his wife and children had been granted, but a three-year discretionary visa. That visa gave him the right to take up employment. Mr. Nsenga is a qualified mechanical engineer with a master's degree; he also holds a private pilot's licence. He is a mature and senior professional and obtained a post almost immediately as a plant manager with P. Hughes Construction Ltd, which is based in Nottingham. As part of his work, he was required regularly to visit locations in Portugal and Ireland, although he was primarily based in Manchester and Liverpool.

The Border and Immigration Agency recalled that he submitted an application for further leave to remain on 3 August 2006, and there is no dispute that his application for renewal was in good time. However, from that moment on, Mr. Nsenga has been plunged into a bureaucratic nightmare, which Mr. Kafka would have recognised only too well. To make his application, Mr. Nsenga had to submit his passport and other supporting documents to the Border and Immigration Agency. That meant that until it had reached a decision, he could not travel abroad. In turn, that meant that he could no longer fulfil his duties at work, so he lost his job.

An industrious person, he started to apply for jobs that did not require overseas travel, but by then his three-year visa had expired, so prospective employers wanted evidence that he was qualified to work in the United Kingdom. The Border and Immigration Agency remained in possession of his passport—in fact, it still has it. The only proof that the agency is willing to provide of Mr. Nsenga's right to work in the United Kingdom is a letter with no official stamp, no photograph and no recognisable official signature. The letter says:

> "To clarify, Mr Nsenga has permission to take employment and may use this letter as proof of this."

That would be laughable if it were not so scandalous. The agency itself spends much of its time rejecting such letters, allegedly written by the Pope or Prime Minister, or—on this occasion—by Emily Miles of the case resolution directorate. Not surprisingly, prospective employers have been dubious about accepting that letter, especially as the Home Office now makes them liable for employing anyone who turns out to have dodgy paperwork. My constituent is left stranded with a dodgy-seeming letter that anybody could have run up on a decent photocopier, and with no passport or papers.

Mr. Nsenga went to Jobcentre Plus with his magic letter, where he was told that Jobcentre Plus could not offer him any post because it did not accept the validity of the letter and did not recognise his right to work. The all-powerful letter of authority to work not only does not work in the private sector, it does not even work with another Government agency. Mr. Nsenga bought a house and has a mortgage to pay. He and his wife now have a third child, born here, six years old, and of course a British citizen. Sadly, she is very unwell and needs expensive medical attention. Mr. Nsenga's savings are depleting rapidly and he has had to suspend payment for some of the treatment for his daughter.

Repeated requests to the Border and Immigration Agency to accelerate Mr. Nsenga's application on grounds of exceptional circumstances have been refused, despite his situation. In January, I asked the Minister a parliamentary question that related to this. He will know that his reply said that there were no specific guidelines to case workers to take account of the economic and social consequences of decisions such as this, and went on to say that 90 per cent. of applications are decided within 70 days. Mr. Nsenga has been waiting for more than 70 weeks—one year and seven months. But there is no rush—the BIA aims to sort it all out by July 2011, just another three years and four months.

I believe that the Minister may be able to help me, and my constituent, on this occasion, and I thank him very much for that, but I want him to consider carefully two particular points. First, given that there are, according to the last published figures, some 20,000 people in Mr. Nsenga's position, will he arrange for the agency to issue a proper validity document to those who are left in limbo, potentially for another three years, so that they can be productive members of society and not reduced to destitution, as Mr. Nsenga and his family have been? If he will not do that, is he not honour-bound to introduce guidelines relating to the social and economic impact of the delays on applicants, along the lines of

[Andrew Stunell]

my parliamentary questions, so that cases can be prioritised in the meantime to take proper account of the damage that delays are doing?

Secondly, will he give an absolute assurance that any constituent who approaches a Member of Parliament will not thereby put themselves at a disadvantage? Many of those who present themselves to me—Mr. Nsenga is one of them—tell me that staff at the BIA routinely say, "Of course, if you complain to your MP your case will be taken out of the queue and put back towards the rear, delaying your approval further." Bearing it in mind that there is not a queue but what seems to be a series of heaps, that has a ring of truth to it. Indeed, the letter sent to MPs, though skilfully worded, says almost exactly the same thing. Can the Minister assure us that there is not, and will not be, any hidden penalty for having the temerity to talk to an MP about one's case?

The case of Mrs. Chatellon Matibag is entirely different, except that she and her family are also trapped in one of the agency's many Catch-22s. She came to the United Kingdom from the Philippines, as part of the highly-skilled migrant programme, to work as a senior care worker. She began working as a senior care officer at a home run by Southern Cross Healthcare in October 2003. Her family is here with her and her daughter is in the reception class at one of my local schools. Her visa was due to expire on 24 September 2007, and she was told that she would not be able to extend or renew it because of the new Home Office rules introduced in August 2007, which stipulated, among other things, that senior care workers must be paid a minimum of £7.02 per hour. I first became aware of her situation when I received testimonials on her behalf from the family and friends of some of those she had been caring for in the home where she worked. There is absolutely no doubt about the added value that Chatellon has brought to this country and to those in her care.

The rule change, which had its biggest impact on Filipino workers, was hugely disruptive and controversial. The Minister is only too well aware of the criticisms and representations made on many levels, and I shall not rehearse them this evening. Following a meeting arranged by the hon. Member for Crewe and Nantwich (Mrs. Dunwoody) between the Minister and MPs on 11 December last year, new guidance was issued on 18 January regarding transitional arrangements for senior care workers, which was designed to get the Government out of the public relations hole into which they had tumbled.

The new rules allowed a 12-month extension of a current work permit for workers whose previous permit was still valid or had expired within the previous 28 days and even at the same rate of pay as the previous permit. The importance of the 12-month extension was that, at the end of it, workers such as my constituent would have accumulated sufficient service in the United Kingdom to be qualified to apply for indefinite leave to remain. The rules say that if the permit had expired more than 28 days previously, new applications would be treated under the revised guidelines. In this case, Mrs. Matibag, who lost her job in September 2007 as a result of the guidance introduced in August 2007, had lost that job more than 28 days before the rules were published. When prospective employers contact the agency to see whether they can employ Mrs. Matibag, they are told that too much time has elapsed and that they cannot do so.

I contacted the Border and Immigration Agency for clarification on that point on 26 February and was informed that an internal e-mail mentioned additional guidance introduced on 15 February that superseded the 18 January guidance. Perhaps inadvertently, that new guidance was sent to me on 27 February. Headed "Out-of-time applications for Senior Care Workers", it states:

> "Senior Care Worker applications should only be treated as First Permissions"—

in other words, as completely new applications—

> "if the OSN's previous work permit expired more than six months before the new application was received."

I think that OSN means overseas national. Later the same day Mr. Jackson, of the operational policy unit at the BIA in Sheffield, e-mailed my office to add:

> "the Border and Immigration Agency is temporarily accepting extension and change of employment applications for those Senior Care Workers whose previous work permits expired more than 28 days ago.
>
> Caseworkers are applying the maximum discretion possible on out-of-time applications, and each case is being considered on its merits."

I wrote to the Minister on the same day, 27 February, pointing out that the guidance that I have quoted was internal, informal, discretionary and unpublished. As such, it is impossible for any applicant to take advantage of it. An employer who checks with the agency before recruiting someone or submitting an application is simply told of the 28-day rule, not the six-month rule that is actually in operation. Of course, at a job interview, an employer will not have the same interest in pursuing the case as the person on whose behalf they are applying.

Mrs. Matibag's six-month grace period expires on the 23rd of this month—Easter Sunday, which is three days from now. I still have not had a reply from the Minister to my letter of 27 February, but I am looking forward to hearing what he will say. My questions on behalf of Mrs. Chatellon Matibag are simple ones. Does the Minister believe that it is good enough for discretionary guidelines to be concealed from applicants and their potential employers to the extent that they are, for all practical purposes, nugatory? If he accepts that that is not good enough, will he undertake to instruct the agency to take into account the lack of transparency of these guidelines when assessing applications from people such as Mrs. Matibag, who could easily have complied with them? She has been offered jobs that she has not been able to take up because of her status. She could easily have complied, but found herself out of time solely because the guidelines were never made public.

Thirdly, bearing it in mind that we have come to the end of the last working day before my constituent's time is up, will the Minister accept from me here tonight a verbal application on her behalf, which will be reported and recorded in *Hansard*? If he were minded to take account of the points that I have raised, the case could be followed up with the relevant paperwork.

I believe that both Mr. Nsenga and Mrs. Matibag have been very ill served by the Border and Immigration Agency and its processes and procedures. The Minister has an opportunity to put that right. I very much look forward to hearing him give a proper account of the workings of the agency, particularly as it has impacted on my two constituents, and to his giving them both an Easter present that he can be proud of.

6.15 pm

The Minister for Borders and Immigration (Mr. Liam Byrne): First, I am grateful for the opportunity to respond to the hon. Member for Hazel Grove (Andrew Stunell) in tonight's Adjournment debate. I am also grateful to him for taking the time and trouble earlier today to brief me personally on the cases. As you know, Mr. Deputy Speaker, I always try to make myself available to discuss individual cases with hon. Members and to resolve issues wherever I can. I represent a constituency with quite a large number of immigration cases, so I look at this system very much from two different ends. I am especially grateful to the hon. Gentleman for raising these two particular cases. They are not only constituency cases, which are always important in and of themselves, but they raise wider issues that are worthy of debate in this place. I shall try to deal with both the personal and the wider issues to the best of my ability.

I do not usually discuss details of personal cases on the Floor of the House, but given the hon. Gentleman's entrée, he will not mind if I depart from that convention today for the benefit of the record. The hon. Gentleman reprised almost all the chronology of the first case—that of Mr. Nsenga—rather eloquently and it very much accords with my chronology, which is a good start. Indeed, I understand that the individual's wife and children claimed asylum slightly before he did—on 2 August 2002. They were from a different country and they were recognised as refugees and granted indefinite leave to remain in October 2002. The individual's circumstances were different from those of his wife and children; the fact that he was married and was the father of the children does not automatically bring with it the right to humanitarian protection. However, in the course of hearings that concluded on 15 August 2003, the status of discretionary leave was awarded on the basis of article 8 of the European convention on human rights. The agency considered that on grounds of the right to family life, it was right to grant three years of discretionary leave. Even though it was not considered that asylum was appropriate in his case, a different right to discretionary leave in the UK was relevant.

As the hon. Gentleman said, a further application for leave was filed in time on 3 August 2006. Here, I think that some delays did indeed creep into the system. The House will know that something like 450,000 files—files, not people—exist, as was announced to the House a while ago by the former Home Secretary, and I have made it my business to ensure that we resolve those problems from the past as quickly as possible.

The hon. Gentleman raised the important issue of how these cases are prioritised in the guidelines. He submitted an important parliamentary question in January. The guidelines that we operate do not extend to economic and social factors, although whether they should is an interesting question. The guidelines on which we operate were set out by the Home Secretary and they include possible harm to British society and savings to the British taxpayer. As I say, the question whether the prioritisation guidelines should be wider is worth considering. Certainly, I can assure the hon. Gentleman that no penalty or delay is injected into a proceedings through a reference or referral to a Member of this place—that would be quite wrong, and I would run into problems in my constituency if the agency started acting in such a way.

The urgency of the applications was recognised, not only in and of themselves, but because the hon. Gentleman was acting on the individual's behalf. Consideration of the case began in February, and the work is almost complete: only two checks are outstanding, one being an up-to-date police national computer check, and the other a mandatory war crimes check, because the applicant is from Rwanda. If the subject is given a green light on both, a satisfactory solution to the case can be found early next week.

The wider point is identity management, which is extremely important. The House will know that during consideration of the UK Borders Act 2007 I made it clear that the existing modes of proving identity were completely inadequate. About 60 or 70 different bits of paper or card can be proffered by a foreign national to attempt to prove their identity and right to be in the UK. That is a hopelessly outdated system, which I plan to begin sweeping away in November, when we introduce a single much more secure document called an ID card for foreign nationals, which will be rolled out on a compulsory basis. That will give all foreign nationals the chance to prove their identity in a much simpler way.

In the meantime, it is important that we make it easier for businesses and people in the public sector to understand whether the identity presented by somebody is valid. That is why a very successful inquiries service is available to employers who have any doubts about identity. That service will get bigger as ID cards are rolled out.

The second case is perhaps a little more complicated. It concerns a Filipino national who has worked very hard in this country as a care worker, and whose leave expired on 24 September 2007. Although the work permits regime needed to be implemented in a robust way, to ensure an adequate defence against wage undercutting or displacement of resident labour, I asked for a number of transitional measures to be put in place. That was important to ensure continuity of care in the social care sector, which might have been put in jeopardy. The transitional arrangements allowed a waiver of some of the minimum requirements of the job. As the hon. Gentleman said, they allowed an exceptional in-country extension to be granted for 12 months to give people time to make up their leave to settlement. The discretion was provided to consider cases six months after leave had expired.

The lion's share of people in senior care worker posts whose employers were seeking to re-employ them benefited from those transitional measures. According to facts and figures that I saw a few months ago, about 80 per cent. of people were satisfactorily accommodated within those arrangements. In a work

[Mr. Liam Byrne]

permit application, the key is that the application must be submitted by an employer rather than an individual. The employer is, therefore, in pole position, so it is important that individuals in question do indeed have a job in order for their employer to apply for leave.

The wider point, however, is that custom and practice inside the agency, in relation to considering cases for up to six months after leave has expired, should be a matter of record. I am therefore glad to have the opportunity to read that into the record today. I will also review the news given by the hon. Gentleman that—certainly in this case—custom and practice was not communicated to employers when they called. I need to understand whether that was happening on a general basis, or just in this specific case. I have made it clear to the agency today that it must ensure that callers are given to understand that. Given the exceptional circumstances in this case and the fact that the six-month period expires on Sunday, I shall be happy to treat the hon. Gentleman's representations this afternoon as a barrier to any further action before I have a chance to consider the case in more detail next week. The nub of the issue, however, will remain the individual's need to find an employer with a job offer. I shall be happy to discuss the matter with the hon. Gentleman personally over the coming week.

Andrew Stunell: I thank the Minister for what he has done. I know that he has spent a good deal of time on this case, and I very much appreciate what he has said. If he can confirm that, if I can produce my constituent and a job offer in the next week, that will be considered outwith the six months, I shall be very content indeed.

Mr. Byrne: I am more than happy to consider the case in the manner that the hon. Gentleman suggests. I think that entirely reasonable and appropriate, and I hope that it will deliver a satisfactory solution to both of us over the next few days.

Question put and agreed to.

Adjourned accordingly at twenty-six minutes past Six o'clock till Tuesday 25 March, pursuant to Resolution [26 February].

Westminster Hall

Tuesday 11 March 2008

[MR. CHRISTOPHER CHOPE *in the Chair*]

Disabled People (Poverty)

Motion made, and Question proposed, That the sitting be now adjourned.—*[Tony Cunningham.]*

9.30 am

Roger Berry (Kingswood) (Lab): It is a pleasure, Mr. Chope, to introduce a debate on disability poverty with you in the Chair. I am pleased that the Under-Secretary of State for Work and Pensions, my hon. Friend the Member for Stirling (Mrs. McGuire), who has ministerial responsibility for disabled people, will respond to the debate.

As we all know, there have been significant reductions in poverty in the United Kingdom over the past 10 years. For example, there are 600,000 fewer children in poverty. Child poverty doubled during the previous two decades, when the country acquired one of the worst records of child poverty among the major European nations. I do not doubt for a moment the Government's commitment to reducing poverty, any more than I doubt their commitment to improving the life chances of disabled people. However, much more needs to be done—very much more. That is particularly so, given the Government's targets to reduce child poverty and fuel poverty, both of which suggest not only that much more needs to be done but that it needs to be done more quickly.

The immediate reason for seeking a debate on this issue was not another pre-emptive Budget bid—a rather late one—but the fact that in January Leonard Cheshire Disability produced a report entitled "Disability Poverty in the UK". I strongly recommend that report to those who may not have had the chance to read it. I shall begin with three observations made in that report. First, official statistics show that three in 10 disabled people—or 3 million people—live in poverty. Secondly, disabled people are twice as likely to live in poverty as non-disabled people. Thirdly, official figures seriously underestimate the extent of poverty among disabled people and their families. Why is that? Most obviously, it is because the data do not take account of the additional financial costs of disability.

David Taylor (North-West Leicestershire) (Lab/Co-op): I thank my hon. Friend for giving way. It is a privilege to be in the same Chamber as him, my right hon. Friend the Member for Coatbridge, Chryston and Bellshill (Mr. Clarke), and my hon. Friend the Minister. Over the past 10 years, they have been three of the best campaigners on the subject. As my hon. Friend the Member for Kingswood (Roger Berry) has acknowledged, the excellent Leonard Cheshire report points out that disability poverty is not only about financial poverty but about poverty of opportunity and aspiration.

A constituent e-mailed me yesterday evening. He said that

> "it can be forgotten that a person with a disability has ambitions just like everyone else".

He was told that he was setting his sights too high at school by wanting to study at university. The e-mail continued:

> "The unfortunate fact is though, that this just underlines the bigotry that is very real and very present in our society. It certainly does a great deal of damage to self-confidence."

Such important issues are more difficult to tackle, but they are pervasive.

Roger Berry: I agree very much with my hon. Friend. They are real and pervasive issues.

One problem arises from the fact that, in order to fulfil their aspirations, disabled people often have to do things that others do not have to do. They may have to employ personal assistants, they may have to rely on personal care and home adaptations, and they may incur costs for the additional heating necessary to keep their homes warm. That package of things, which many disabled people have to take on board in addition to their impairment, can affect their aspirations. Given that they also have to face the prejudice that is sadly still prevalent in many parts of society, their aspirations can be deeply frustrated.

Mr. Andrew Smith (Oxford, East) (Lab): I congratulate my hon. Friend on securing this important debate. On the important question highlighted in the Leonard Cheshire report—the extent to which poverty is deepened by the extra costs that disabled people face—will he come on to deal with the case to be made for a more objective and empirically sourced basis for the excellent disability living allowance? Important thought it is, the DLA does not meet the costs of disability facing most disabled people.

Roger Berry: I am grateful to my right hon. Friend for his intervention. He has made an enormous contribution in this field, and I shall come to that point later. First, however, may I make a general comment?

There are serious methodological issues in estimating the extra costs of disability. Leonard Cheshire Disability has made a good effort to come up with a modest estimate of those extra costs; it suggests something like an extra 25 per cent. above the costs of living of a non-disabled person, but I believe that that is on the conservative side. Other organisations, such the Joseph Rowntree Foundation, have over the years engaged in similar exercises and come up with higher figures. However, my right hon. Friend is right to say that the problem needs to be addressed.

If we take the modest estimate of the extra costs of disability proposed in the excellent Leonard Cheshire report, the number of disabled people living in poverty would increase from three in 10 to six. It is therefore important that we should recognise the significant extra costs of disability. We know from our constituency case work—and, no doubt, from family and friends—about the circumstances in which people on low incomes have to live, and I know of the strong feelings on the matter, both in the country and in the House. Early-day motion 637—a cross-party motion that I tabled with other Members in January—was a response to the Leonard Cheshire Disability report. It not only noted the publication of that report, but it expressed the view that the extent

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of disability poverty in the UK is unacceptable, and it called on the Government to give the need to tackle disability poverty a higher priority. The motion has attracted 218 signatures, and it is the seventh most heavily supported in the current Session.

I believe that those who are most deserving of praise in society are not the hugely rich, however important their contributions might be. The most deserving are those who live in poverty, who live on low incomes and who seek to do the best for their families and to make a contribution. Those whom we should praise, those whom we should support and those with whom we parliamentarians should engage most are disabled people and their families and carers, who live on incomes that Members of Parliament would find intolerable.

Although I have congratulated Leonard Cheshire Disability on its report, I wish to make a further point before moving on to other key issues. I do not seek to diminish the strength of the Leonard Cheshire report in saying that a number of the lines of argument deployed by the charity have been deployed by other organisations and individuals. Indeed, that strengthens the argument.

I have already referred to the Joseph Rowntree Foundation, but many arguments made in the Leonard Cheshire report echo those made, for example, by the former Disability Rights Commission, RADAR, "Disability Now"—the monthly magazine published by Scope, which last year published a range of articles on the circumstances of disabled people living in poverty—the Disability Alliance, which is specifically concerned with the income problems of disabled people, the Every Disabled Child Matters campaign, which is currently lobbying Members of Parliament, and the Prime Minister's strategy unit.

In his introduction to the strategy unit's report, "Improving the Life Chances of Disabled People", published in January 2005, the then Prime Minister said:

> "Disabled people remain more likely to live in poverty, to have fewer educational qualifications, to be out of work and experience prejudice and abuse. They still routinely find themselves experiencing poorer services."

Bob Spink (Castle Point) (Con): The hon. Gentleman mentioned work, which is one of the key routes out of poverty, towards self-esteem and a better quality of life, and towards avoiding social exclusion. Does he look back, as I do, with nostalgia at the 1980s when we had the wonderful sheltered work scheme? In Poole in Dorset, I employed a number of disabled people and people with learning difficulties, and they added an enormous amount to my company. They brought more than they took from my company, and that enabled them to build their quality of life and to escape a little bit from poverty with a wage packet. Does he think that the Government should look at that scheme as a way forward?

Roger Berry: The issue of sheltered employment as opposed to mainstream employment, which has been the focus of the debate about the future of Remploy, is a very important one. Disabled people ought to have the opportunities that suit them best. I must say that I support Remploy's strategy to expand the number of places that they support in mainstream employment. That is precisely the reason why disability organisations, too, support the Remploy programme. In addition, one can create more jobs in mainstream employment than one can for the same expenditure in sheltered employment. The strategy of moving in that direction, which Remploy has pursued for a number of years, is right. I believe that many of the criticisms of Remploy's recent plans are fundamentally misdirected.

Before responding to the hon. Member for Castle Point (Bob Spink), I was listing relevant organisations. My hon. Friend the Member for Bradford, North (Mr. Rooney) is in the Chamber, and last week, the Work and Pensions Committee, which he chairs, published an excellent report entitled, "The best start in life? Alleviating deprivation, improving social mobility, and eradicating child poverty". Many of the arguments that Leonard Cheshire used in its report are echoed in that Select Committee report, although no doubt my hon. Friend can speak for himself later if I have maligned him.

The problem is not that the basic facts are disputed, nor that the Government are not doing anything—they are doing a lot. The problem is that we are not doing enough. I made the point earlier that tackling disability poverty is desirable in its own right, but at the same time we need to recognise that it is absolutely necessary if other Government targets are to be met—the targets on child poverty and fuel poverty are the two obvious ones. Of the 2.8 million children living in poverty in this country, about 1 million are affected by disability. They are either disabled children, or their parents or carers are disabled. That has enormous significance for a strategy to tackle child poverty, because unless disability poverty is tackled more vigorously, we will miss our targets on child poverty.

Annette Brooke (Mid-Dorset and North Poole) (LD): I congratulate the hon. Gentleman on securing this very important debate. Does he agree that another area of higher cost is the cost of child care for disabled children? That is a serious impediment, given the supply and the cost of such care, for parents who are trying to find work.

Roger Berry: I agree with the hon. Lady. The cost of child care for disabled children is an issue that, for example, the Every Disabled Child Matters campaign, to which I have referred, stresses, among other matters. Child care is not only an additional cost; it is very often the most significant additional cost. When one contemplates such a scenario, the estimated 25 per cent. extra costs for a disabled family, as compared with those for a non-disabled family, seem, I repeat, a very modest assumption. In many circumstances, the additional costs for a disabled family are significantly higher.

The same is true when it comes to targets for reducing fuel poverty, particularly at a time when fuel prices are rising. As with child poverty, it is very difficult to believe that the Government's fuel poverty targets can be met without specific measures to help disabled people and their families. What is to be done? We all know that, broadly speaking, the most effective measures to tackle poverty fall under two broad headings: on the one hand, labour market policies; and on the other hand, policies in relation to the tax and benefit system. I have

always argued, as the Government have, that improving the opportunities to work is undeniably the best route out of poverty for those who are able to work. That is why full employment matters; that is why a national minimum wage matters; that is why the new deal for disabled people matters, and why Pathways to Work matters. All those initiatives are important. Undeniably, for those who can work, work is the best route out of poverty. Today, however, one in three of working age disabled adults and their families still live in poverty, because 50 per cent. of them are not in jobs and for those who are not in employment, the levels of social security benefits are simply too low.

There has been significant progress on the jobs front. Fifty per cent. of working-age disabled people are in work, which is 10 per cent. more disabled people in work than was the case 10 years ago. There is therefore no doubt that measures of the kind to which I have referred have helped to provide more employment opportunities for disabled people, but neither is there any no doubt that more effort in that area is absolutely necessary.

It is difficult to know exactly why 10 per cent. more disabled people are in work now than, say, 10 years ago. Clearly, there are 2.7 million more jobs in the economy; there have also been special measures to support disabled people in getting into work. Legislation has been introduced to outlaw discrimination in the labour market, and I believe that employers' attitudes are changing. It is difficult to identify which of those factors has been the most important. My guess is that the rapid growth in the number of jobs overall and the specific labour market policies that have been introduced to enhance opportunities for disabled people have probably had the most impact. Thankfully, it is not much debated any more that more needs to be done to improve employment opportunities for disabled people.

However, there are still enormous problems. For example, the percentage of people of working age with a mental health condition who are in work is not 50 per cent. but 20 per cent. Similarly, the percentage of people with learning difficulties who are in work is not 50 per cent. but 25 per cent. Again, employment for people in these groups has increased, but not hugely, and they are still way behind most citizens in terms of their employment prospects and opportunities. So I strongly support the measures that are being taken—measures that should be taken—to provide more specialist and individual support for people in these circumstances.

We could debate some of the relevant programmes and the organisation of those programmes, but I do not want to do that. I think that we have got those programmes and their organisation about right, or we are getting them about right. In a sense, I am asking for more of the same there. However, the point that I would make about labour market policies is that we should not be stingy with the money. I realise that it is too late for a pre-Budget bid and some people have heard me say this before, so I hope that they will forgive me, but sometimes one repeats things because they are so obviously true.

For example, the access to work programme is referred to in the Leonard Cheshire Disability report and many of us have referred to it over the years. The Leonard Cheshire Disability report, like many other reports, calls for the Government to do more to increase awareness of the access to work programme and to increase its funding. I would not say that the access to work programme is one of the most closely guarded secrets in Whitehall, because I do not believe that people in Whitehall are deliberately not trying to promote it. However, it is astonishing that 75 per cent. of employers have never heard of the programme. It costs £64 million a year, which is more than four times as much as was being spent 10 years ago, for which the Government deserve credit, but that is about £8 a year for each disabled person of working age. It is not a lot of money.

More important, however, is what the Department for Work and Pensions gets back when it spends £1 million on access to work. I have it in writing that if the Department spends £1 million on enabling people to return to work or take up employment through the access to work programme, the Treasury will gain £1.7 million. Why? Because those people will no longer rely on the same benefits and will pay tax on their income. The Government therefore spend £1 million to get £1.7 million—it is investing to save, a no-brainer. If the Chancellor is short of a few bob tomorrow, I suggest that he puts a load of money into access to work.

There is, however, a more general point, because, in fairness, I have picked only a tiny part of the Government's package. To their credit, the Government have said that they will take 1 million people off incapacity benefit and that that will save the Treasury £7 billion. That is obviously quite a good idea, given that supporting people to get into employment means that they pay more tax and receive less benefit. Can we not perhaps ensure that we have joined-up government and that the benefits to the Treasury of active employment programmes are recycled to enable more people to get into work? I am sure that that is what the Government have in mind and that they will be nothing other than generous in funding employment programmes, but it is always good to make the obvious point.

Much more attention should be devoted to those disabled people who are not expected to work. In recent years, there has been enormous activity on the jobs front, and the Government deserve credit for that. Although I can see their strategy for helping people out of poverty through work, I have more difficulty working out precisely what the strategy is for tackling poverty among disabled people who are not expected to work. The benefits system is critical to the quality of life of those disabled people who are not in work and it determines whether they languish in poverty.

Many disabled people who are out of work find themselves and their families in poverty for two reasons. First, many do not claim the benefits to which they are entitled, and that is particularly true of families with disabled children. Secondly, disability benefits are, to put it mildly, not generous or adequate. Much more needs to be done to promote the take-up of DLA among disabled adults and parents of disabled children, and I hope that the Minister will mention that.

As we all know from our experience, our casework and the statistics, the inadequacy of benefits is such that many people are forced to live in great poverty. For example, someone who loses their job as a result of an impairment will experience a dramatic, life-changing loss of income. Similarly, most people do not have a good insurance policy that says, "If you lose your job because of an impairment, do not worry—you are part

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of a system that will ensure that your income is maintained." As a result, most people who lose their job because they acquire an impairment at work face a shattering loss of income. As Members of Parliament, we all know of people in such circumstances who have got into debt, lost their home and ended up in an appalling situation. I do not want to be misunderstood; we must, of course, do more to enable those who acquire an impairment at work to stay in employment—that is the first thing. However, we must also recognise that the social security system is the only thing that keeps many people out of poverty, and it is currently failing to do that.

I have another question for the Minister. We are moving into a new system, with employment support allowances and so on, and I hope that the Government will make sure that the higher rate of employment support allowance is enough to ensure that those who are not expected to work do not live in poverty. That is an important issue, which needs to be addressed, and I ask the Minister to comment on it.

Along with other right hon. and hon. Members, I have discussed the additional costs of disability. My right hon. Friend the Member for Oxford, East (Mr. Smith) specifically asked whether existing benefits were adequate to take into account those additional costs, and I do not believe that they are. Perhaps more significantly, however, the recent report by the Work And Pensions Committee makes it clear that they are not adequate. In conclusion 24, for example, the Committee unanimously said:

"We are very concerned by evidence that 1 in 5 families with disabled children have had to cut back on food. In and out of work benefits must be set at a level to cover the extra costs of living with disability and ensure a decent standard of living."

In conclusion 25, it said:

"We believe that Disability Living Allowance must be reviewed to ensure it more closely reflects the additional cost of disability."

I very much hope that the Government will take the Committee's comments on board, because most people would agree with them.

We are all aware of the arguments that have been used, for example, on extending the higher-rate mobility component of DLA to some blind people. There is also the issue of allowing people over 65 to claim DLA, rather than the less valuable attendance allowance. I have always found it distinctly odd that someone can claim DLA at the age of 64 and quite a few months, but that they cannot do so when they hit 65, even though they may have exactly the same mobility needs on their 65th birthday as they did the day before. There are real issues about reforming the benefits system, and DLA is one important issue that needs to be addressed. I therefore very much welcome the Committee's report.

One of the additional costs of disability, which I have already mentioned, is heating. Many disabled people face higher-than-average fuel bills because they are likely to be at home more and their impairment may require them to maintain a consistent temperature in their home. I do not believe that the existing rates of DLA cover that, even though we are often advised that they do. I am not the only person who does not believe that claim, and nor are the disability organisations the only organisations that do not believe it. The Work and Pensions Committee does not believe it, and in conclusion 27 of its report, it says—*[Laughter.]* I apologise if I am stealing the speech of my hon. Friend the Member for Bradford, North, but repetition, as I have said before, and as I am illustrating now, is always a good way to remind people of the essential points of an argument. The Committee said:

"We also recommend that the Government considers extending winter fuel payments to families with disabled children under five in receipt of Disability Living Allowance at the middle or higher rate."

My only criticism is that the Committee has not been ambitious enough. Over the years, many of us have argued that logic and fairness would suggest that winter fuel payments should be extended to all those under 60 who receive the middle or higher-rate care component or the higher-rate mobility component of DLA. Someone who is over 60 will obviously get their winter fuel allowance, whether they need it or not, but someone who is under 60 will not. People with high mobility or care needs demonstrably have a case for saying that their heating costs will be higher. If we are to have serious winter fuel allowances, they should seriously tackle the additional costs of disability. I hope that the Government will respond positively to the recommendation of the Work and Pensions Committee by saying that it has not been ambitious enough and that they would like to extend it further.

I come to my final point, Mr. Chope, because I am aware that a number of right hon. and hon. Members wish to speak. I want to make a quick comment about independent living, partly because the Government published an important report last Monday, which I welcome, and partly because the social care system is failing disabled people big time. While I welcome the Government's report about independent living and about giving disabled people the same choice, control and freedom as any other citizen, I have a caveat, which is that we are not being promised legislation—at least not yet.

My right hon. and noble Friend Lord Ashley has introduced the Disabled Persons (Independent Living) Bill in the other place on two occasions. It has been through the other place, but I do not anticipate its getting through our House, although I will do my best. The Bill identifies a number of areas in which legislation is needed. I hope that the Government will look at the matter again. As Members of Parliament, we all know that needs are not being met. We know countless constituents who are not getting the support that they need from the local authorities. We also know that the system is bureaucratic and wasteful. People have to fill out so many forms. They have to fill out forms for the benefit system. They face more paperwork if they need home adaptation and they have to have another assessment for personal care. If they have an assessment in one local authority area, they cannot carry that assessment to the area next door. Assessments are not portable.

The other day, I was talking to a disabled guy who lives in Lambeth, but wants to work in Southwark. I happen to live in Southwark, so I celebrate Southwark. None the less, the man wanted to move from one local authority to another. His perception was, "Goodness gracious me—he put it a bit firmer than that—if I go from Lambeth to Southwark, I will have to have my care needs reassessed. It will take time. I may not get the same package that I currently have in Lambeth. I do not know whether it will be better or worse." It is absurd that care packages are not portable.

As a former local councillor I can see merits in localism, but there are some areas in life in which localism is a fundamental problem. Saying to disabled people that they have to have a care assessment in their own local authority can make them feel imprisoned in their own immediate area. They feel unable to seek work elsewhere for fear of getting a less advantageous assessment, and unable to go to another local authority to live nearer friends and family. I genuinely believe that the inconsistencies in local authority provision and the lack of portable packages are a severe impediment to the freedom and choice that we all say disabled people should have. That is an area in which legislation may be necessary. There is a range of possible issues here, including the balance between national support and funding and arrangements for disabled people and local support. It is a mess at the moment. The problem is not easy to disentangle, but we need to move much more towards a national system that will make independent living a reality and that will give people the choice and dignity that they deserve.

In summary, to tackle poverty among disabled people we have to continue to do substantially more to increase opportunities for education, training and employment. We have to provide more generous in-work and out-of-work benefits. We need to simplify the benefits system, promote higher take-up and make rapid progress. I readily acknowledge the Government's significant achievements in tackling many of the unacceptable disadvantages facing disabled people. However, the strategy for tackling disability poverty, particularly in relation to the substantial number of people who are not expected to work because they cannot work, is still one that needs to be addressed properly. Only then will disabled people have the same choice, control and freedom as other citizens.

10.5 am

Mr. Tom Clarke (Coatbridge, Chryston and Bellshill) (Lab): It is a pleasure to be here under your chairmanship, Mr. Chope, and also to follow my hon. Friend the Member for Kingswood (Roger Berry), who introduced the debate with an excellent and well informed speech. He and I have shared many a platform, been in many a debate, and supported many a Bill. We welcome my hon. Friend the Minister and acknowledge the role that she has played in many of the achievements in this area. However, as my hon. Friend the Member for Kingswood said, much more remains to be done. I appreciate that many hon. Members want to speak so I shall try to summarise the main points that I want to make.

My hon. Friend the Member for Kingswood dealt with the issues of poverty, which afflicts disabled people and their families. He quoted from the excellent report by Leonard Cheshire. I want to address most of my remarks to the evidence of poverty among disabled children and their families. I worry, as my hon. Friend does, about the poverty of opportunity. Although income and the right level of benefits are important factors, we must look at what is happening to public expenditure and seek to ensure that there is a desire to influence the quality of life of disabled children and their families in so far as we can do so. I welcome what he said about fuel poverty. I took part in a debate on that issue a few weeks ago and I initiated one in the Chamber last January.

In the review that I chaired last year on disabled children and their families, we made a specific recommendation that the allowance should be extended to disabled children and their families. Like my hon. Friend, I think that we would have gone further and addressed disabled adults, but that was not part of our remit.

When I was talking about poverty of aspiration in our debate in Westminster Hall on 16 January, I mentioned briefly the case study of a young lad called Stephen in my own constituency. Although he had received much assistance from North Lanarkshire council, his quality of life would have been better if the policy on short breaks, which involves resources from public expenditure, had been extended in a better way to suit him. I am very pleased that since that time, he has been given respite care in a place that suits his individual needs.

I thank North Lanarkshire council and my local newspaper, *The Kirkintilloch Herald*—that paper tends to give move coverage to such debates than, for example, the BBC in Scotland—for helping Stephen to ensure that he gets suitable short breaks. It is all about the quality of life. We all know the demands and would love to have more time to go into them. However, I want to move beyond that. My hon. Friend the Minister will know what is coming, as will the hon. Member for Edinburgh, West (John Barrett). During the all-party review of support for disabled and their families, the Government response was very welcome. They allocated an additional £340 million to England and specific amounts, based on the Barnett formula, to Wales, Northern Ireland and Scotland—£34 million to the latter. Again, I am appalled that we simply do not know where the Scottish Executive have put that money, which was made available by the Treasury on the basis of evidence presented and following an excellent response by the Treasury and the Department for Education and Skills.

None of us should be taken in by the red herrings about ring-fencing and the rest. That money was expected to be spent not simply on local government services—important though they are—but on the NHS in Scotland and, specifically, on disabled children and their families. Unless we have accountability, transparency and a clear indication of where that money has gone, some of us will return to the issue again and again.

I know that others are keen to speak in this important debate, so I shall simply summarise the issues that I think remain to be addressed, important though the progress is that we have made. It is right that we consider the poverty and, in particular, the quality of life of disabled children and their families. When considering public expenditure in the health service, transport, employment opportunities, the arts and creative industries, and the rest, we should set our sights much higher and focus on the millions of disabled children in Britain, including those whose needs we have addressed. In that spirit, and with an eye on tomorrow's Budget—I know that the hour might be late—we encourage the Chancellor to consider how, in fiscal terms, he can influence the quality of life of disabled people, including by looking at energy companies, who have not done too badly in recent years, and asking them to make a contribution.

This has been a very worthwhile debate and I look forward to hearing the comments of my colleagues and the Minister. Again, I thank very warmly my hon.

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Friend the Member for Kingswood, who has done so much in the fight for the rights of disabled people. I am sure that he will continue to do so.

10.13 am

Mr. Terry Rooney (Bradford, North) (Lab): I congratulate my hon. Friend the Member for Kingswood (Roger Berry) on securing this debate. Nobody in Parliament doubts his commitment over many years to the issues before us. I am delighted to see the Minister in the Chamber; she has often heard me say that she is the finest Minister for disabled people that we have ever had. In repeating those comments, I hope that one day she will reward my niceness to her.

I am sorry that the hon. Member for Castle Point (Bob Spink) has left the Chamber, not least because he is a friend of mine, partly because he is from Keighley, which makes him a pure bred Yorkshireman—that is always good in my book. He talked about the 1980s, my memory of which is of continual recession, massive de-industrialisation and people, with and without disabilities, losing jobs in their hundreds of thousands—we touched 3 million unemployed twice. We also saw the return of the spectre of the 1930s and marches for jobs, but those marches were about white, able-bodied men getting jobs, not black and minority ethnic communities, disabled people or women. Nevertheless, it was terrifying to see that spectre return, because nobody thought that we would ever see it again.

My hon. Friend the Member for Kingswood mentioned that 50 per cent. of disabled people are in work, but that is a false figure. The more disabled a person is, the less likely they are to be in work. There are some horrific examples of blatant discrimination, particularly against people with mental illnesses, which I shall come on to later. I want to concentrate on work for those with disabilities, because I think that it is a basic, crucial civil right. Disabled people have the same civil right to work as anybody else, but there are too many barriers in the system and too much discrimination in society. In particular, there are too many barriers in the benefits system preventing people from accessing benefits. We need to do something about that. Particularly for families with disabled children, child care is crucial. My right hon. Friend the Member for Coatbridge, Chryston and Bellshill (Mr. Clarke) referred to last year's package, which was extremely welcome, but for families, particularly with the most severely disabled children, the cost of child care is astronomical.

The child care tax credit, which is 80 per cent. of £175 a week, is a very welcome initiative, although the take-up has been very poor. However, £175 goes nowhere in providing child care for a disabled child. The Work and Pensions Committee report gave the example of a 60 per cent. premium on the going child care rate, if the child is disabled. We heard evidence of some institutions charging five times as much for child care for a disabled child as for an able-bodied child. Those institutions are clearly saying, "We don't want these children, so we will price them out." That is wrong and those institutions need to be taken to task over it.

The Select Committee's report on incapacity benefits a couple of years ago touched on parents of disabled children going to work, and considered Pathways to Work and various other things. We reported—and this was striking—that it is seldom the disability itself that prevents an individual from going to work, but other factors, around the home or whatever. A key factor for parents with a disabled child is that that child is more likely than other children to need regular doctors or hospital appointments, requiring the parent to take time off work. The Government have been good on family-friendly policies, but they involve the right to request leave, not automatic entitlements.

Scarier is the fact that a disabled child is 16 times more likely than an able-bodied child to be excluded from school. If a parent is at work and receives a phone call at quarter-past 10 saying, "We are going to exclude your child", they go to the school. That does not have to happen very often before an employer, understandably or not, thinks, "Hang on a minute, what's going on here? Something needs to be done about this." We need to take another look at the state education system to find out why those children are 16 times more likely to be excluded.

I want to touch on two things on which I think the Government have been particularly good in assisting disabled people back into work. I am really pleased to see my right hon. Friend the Member for Oxford, East (Mr. Smith) here, because I think that he changed the dynamics in that system during his time as Secretary of State for Work and Pensions. We should pay tribute to him. The first thing was that we changed the linking rules, which meant that someone could take a job and that, within two years, they could return to the benefit that they were on before, if it did not work out. That provides security for people with disabilities so that they can see whether employment works out for them.

The second thing that the Government did was to get rid of therapeutic earnings, which were an insult to disabled people, and brought in permitted work rules, which are more flexible. However, if we are going to have permitted work, we should have one rule, not four separate regimes—a point that I have raised before. It is insulting, too, to say that, under permitted work, the maximum that can be worked is 16 hours at minimum wage, which pays about £6 an hour. If those who have been on incapacity benefit for two, five, 10 or 15 years manage to find a job, I would tell them, "You go and do that job. Come back in three or six months and tell us how it is working out. Keep your benefit and whatever wages you get. Test it out and see if it works for you." If they manage to break that gap of many years, we must be much more flexible in how we operate the benefits system to allow such people to get back to work. There is no loss to the Treasury in doing so. There is the fantastic statistic that someone on incapacity benefit for two years is more likely to retire or die than go back to work. If people are making the effort, we should encourage them and not have artificial rules that restrict what work they can do and how much they can earn.

Returning to the issue of discrimination, we have the much improved Disability Discrimination Act 2005. We had the Disability Rights Commission and we now have the Equal Opportunities Commission. However, it is more than 30 years since we passed the Race Relations Act 1976 and, frankly, we have not abolished race discrimination. We have had the Sex Discrimination Act 1975 for about the same period and we have not abolished sex discrimination. The one advantage of

disability discrimination—if I may be forgiven for putting it that way—is that sex and race discrimination are generally malicious, whereas disability discrimination is generally down to ignorance. There is therefore a better opportunity to work through that problem.

A couple of years ago, the Chartered Institute of Personnel and Development carried out a survey in which 70 per cent. of companies said that they would not even interview somebody who disclosed a history of mental illness. That survey was released to all media outlets, but not one of them covered it. If the survey said that 70 per cent. of companies would not interview a black person, it would have been on the front page of every newspaper; it would have been the lead story on the BBC "Nine O'clock News" and so on. If 70 per cent. of companies said that they would not interview a woman, there would have been similar press coverage. Because the survey said that companies would not interview somebody who had had a mental illness, it was buried and did not go anywhere. That is a measure of how far society still has to go on this issue.

I find it appalling that Rethink, an organisation well known to everybody in the Chamber, led a consortium that submitted to the lottery fund a bid that received £17 million to work on educating employers, as it should not have been necessary to do so. The Government should have done a lot more to educate and train employers, and to punish those who do not alter their attitudes. It is tragic that it is left to mental health charities to make a bid to the lottery fund to do what the state should be doing in the first place.

My hon. Friend the Member for Kingswood mentioned access to work, which is a well chewed-over bone. It is the Government's best kept secret and the way in which it operates needs to be examined. These days, given that we are increasingly engaging with the private and third sectors on the delivery of services, the access to work budget should be devolved to the providers of job placement services. A formula can easily be worked out that would not be dissimilar to how the social fund is distributed to district offices. A sum could be retained centrally to deal with crises.

If we are serious about the new approach to getting people back to work, the providers need a range of tools at their fingertips. They do not want to have to wait for three to six weeks for a response from a Department somewhere else. They would have to be put on trust because abuse must always be guarded against, but we must be much more imaginative about how we administer and use the access to work budget.

Finally, I shall make just a couple of points, because I know that other hon. Members wish to speak. It is important that we set the support allowance at a level that recognises that these individuals will never work again. That would send a real signal about Government commitment. I do not want to be particularly damning about colleagues in the Treasury, but for many months, rumours have circulated that the Treasury has been saying, "Five pounds and no more." That is an insult, and it will cause insurrection in the ranks. I do not want to issue threats, but nobody will tolerate that. I understand that the support allowances will be announced in the next few weeks. That will be seen either as a declaration of intent or as a surrender. I would much rather that the Government make it a declaration of intent.

Tomorrow, the Chancellor will make his Budget statement. We are all hopeful, and anticipate that further energies and moneys will be applied to the child poverty strategy. I hope to see particular emphasis on disabled children and poverty. The Government have a fantastic track record, but we need to keep up the momentum and take the issue forward because that community has been forgotten for far too long.

10.25 am

John Barrett (Edinburgh, West) (LD): I congratulate the hon. Member for Kingswood (Roger Berry) on triggering the debate. Recently, there have been in this hall three debates on issues linked to today's debate about disability poverty: special educational needs, disabled children and the employment of disabled adults. The good aspect about such debates is that the issue is clearly on the agenda, but the bad aspect is that so much is yet to be done.

I congratulate all previous speakers on their excellent contributions. The hon. Member for Bradford, North (Mr. Rooney), Chairman of the Select Committee on Work and Pensions, mentioned how discrimination against the disabled is in some ways almost acceptable. For instance, it is not covered by the media with similar outrage to discrimination against black, female, gay or Muslim members of society. It is sad that while we have made progress on so many other aspects of society, so much discrimination still exists.

I will comment briefly on the Leonard Cheshire report because it includes so much good work. I do not need to go into great detail, but I recommend that anybody who has not read it from cover to cover does so because it sums up the key issues clearly and concisely.

The right hon. Member for Coatbridge, Chryston and Bellshill (Mr. Clarke) mentioned the clearly identified need for £340 million. It was identified on a UK-wide basis, and questions must be asked about where that money has been spent, or if it is going to be spent north of the border. Many Members have mentioned that the Budget statement takes place tomorrow. The Chancellor might ask why he should identify further funding if existing identified funding is not being spent. Indeed, questions must be asked in all parts of the House. I notice that no members of the Scottish National party are present to try to justify what they are doing. Once again, they are missing in action.

One of the big policy focuses in recent years has been poverty. Whether it has been the Make Poverty History campaign, or the Government's focus on tackling child poverty, poverty has become a major focus for policy makers. However, we have yet to see sufficient focus on tackling disability poverty, which is why today's debate is so important. With the Government having published "Independent Living Strategy" last week, now is the ideal time to re-examine disability and poverty, and whether we are doing enough to break the link between the two. In the same way that we must never accept that being born in a developing country inevitably condemns someone to a life of poverty, being born with, or developing, a disability ought not to mean that someone will live life below the poverty line. Poverty is not an inevitable consequence of disability, but looking at the statistics, one might be forgiven for thinking that it is.

[John Barrett]

Disabled people are twice as likely to live in poverty as non-disabled people—about 30 per cent. compared with 16 per cent. The challenge for policy makers must be to break the link between disability and poverty. Although we have rightly adopted targeted strategies for tackling child poverty, not enough has been done to target disability poverty specifically. I hope that today's debate represents one small step in the progress towards that goal.

Many disabled people continue to experience poverty of aspiration and opportunity due to physical barriers and numerous other barriers. However, we must be attuned to aspiration barriers in education, employment and access to services, too, because they are every bit as debilitating as any physical condition. In the debate about disability poverty, we must consider not only financial poverty but poverty of opportunity and poverty of aspiration. Disability poverty can develop as a result not only of low income but of poor-quality or inappropriate housing or lack of educational opportunities.

We are socially and morally obliged to tackle disability poverty, but there are also powerful economic imperatives for doing so. Addressing disability poverty is not only a matter of basic social justice; there is a clear economic case for it. Ending disability poverty would mean that more disabled people moved into the workplace, increasing net contributions to the Treasury through the tax system and reducing expenditure on out of work benefits. To use a broad estimate, if 1 million disabled people moved back into work, the Treasury could expect to gain up to £5 billion in income tax alone. The Chancellor would do well to listen to those figures before he addresses the House tomorrow.

As other hon. Members have mentioned, not only do disabled people tend to have smaller incomes, but many face additional costs due to their disability. The extra costs of managing an impairment vary according to circumstances, but they often include such expenses as mobility equipment, social care, treatment, child care, higher fuel bills and adaptations to the home. The Leonard Cheshire report on disability found that the average costs of those managing an impairment are about a quarter higher than the essential day-to-day costs of non-disabled people, and it is believed that that is a gross underestimate for many. Existing poverty figures and measures consistently underestimate the level of disability poverty. Researchers from the London School of Economics calculate that, if the additional costs of disability were factored in, the percentage of disabled people living below the poverty line could be as high as 61 per cent. It is essential to attempt to build some measurement of those extra costs into poverty indicators in order better to understand the true levels of disability poverty.

Disabled people are also far less likely to have significant savings and far more likely to be in debt than their non-disabled counterparts. The sheer scale of the gap between disabled and non-disabled people in terms of the likelihood of living in financial poverty means that specific action to tackle disability poverty is desperately needed. What is the Minister doing to factor the extra costs of disability into official calculations? Crucially, how will those work through to the benefit system?

Only half of disabled people are in work. I need not point out what a tragic waste of human potential that represents. Although work might not be the appropriate option for everyone, the correlation between being out of work and living in poverty is clear. Being in work can help to combat many aspects of disability poverty—not just financial poverty, but poverty of opportunity and aspiration—by providing social networks and an important boost in confidence through further training and skills, which helps individuals to play a greater part in society. It is the social as well as the more obvious economic benefits of employment that make helping disabled people find meaningful work so important.

We must banish the assumption, which has persisted for too long, that many disabled people either cannot or do not want to work. Disabled people continue to face barriers to employment, including discrimination, lack of support from employers, inaccessible public transport and inflexible social care arrangements. I am sure that the Minister will accept that, although progress has been made in those areas, it has been too slow. Even when disabled people find work, they are more likely than non-disabled people to be in low-paid, short-term jobs. We need to focus not just on employment but on suitable and sustainable employment.

For those who cannot work, we need a benefit system sufficiently sensitive to the specific barriers faced by disabled people. Too often, disabled people on benefits are the victims of the race to prove which party is toughest on so-called benefit scroungers. Those with the severest impairments face the lowest likelihood of employment, combined with the highest extra costs of disability. The welfare benefit system must support that group better. It must ensure that no one is written off and that those for whom a return to work is particularly difficult are not left to languish in poverty. No one should be abandoned to a life of poverty and benefits.

The application and appeals processes for benefit claimants can be daunting and complicated for the best of us, which leads many not to claim the benefits to which they are entitled. Those forced to leave work due to an acquired or worsening disability almost always face an accompanying drop in income. Often, partners must leave employment to become carers, leading to a further drop in income. Targeted help and assistance for that group is therefore essential. I support what has been said by previous speakers and appeal to the Chancellor to extend measures such as the winter fuel allowance in his speech tomorrow.

Transport is a significant obstacle faced by disabled people. To access services and engage fully with society, accessible transport is key. Poverty of opportunity and social exclusion are inextricably linked with inaccessible public transport. An accessible and integrated transport network is essential to tackling disability poverty, as it would facilitate improvements in the disabled people employment rate as well as their community engagement and quality of life.

The Government have acknowledged the scale of many of the challenges discussed today in their strategy document "Improving the Life Chances of Disabled People" and the subsequent strategy published last week. Although I welcome much of what was included, I would be extremely interested to hear whether the Minister believes that the Government's ambitions can be translated into practical change on the ground for those who need

it. The links between disability and poverty are maintained by continuing barriers in society—both physical barriers to accessibility and the barriers formed by negative attitudes and a lack of understanding about what disabled people can achieve.

The Government should make tackling disability poverty one of their key priorities. Doing so will require first a commitment to understand and monitor disability poverty and its causes and then the strategic development of social policy initiatives to eradicate it. Ending disability poverty is not just a way to drive down poverty throughout the UK and improve the nation's economic health. It is also an absolute necessity of social justice.

10.37 am

Mr. Mark Harper (Forest of Dean) (Con): It is a great pleasure to serve under your chairmanship, Mr. Chope. I congratulate the hon. Member for Kingswood (Roger Berry) on securing this debate. I know from our frequent meeting at the all-party group on disability and from his record over many years that he is an acknowledged expert on the matter. I listened to his words with great care and, not for the first time, found myself agreeing with much of what he said, although—I say this for the benefit of the shadow Chancellor—not with any of the proposals that would increase expenditure. I do not want to get myself into dreadful trouble, as I am sure the Minister would if she pre-empted the Chancellor's Budget speech tomorrow.

I join the hon. Member for Kingswood in mentioning early-day motion 637. The number of Members from all parties who have signed it increases daily. As he said, it is the seventh best supported early-day motion, which shows the interest in the matter across all parties. Our friends in the media would be wise to recognise that the issue is of great interest among parliamentarians. When they report debates such as this and the proceedings of the Select Committee on Work and Pensions on the subject, as well as when they write stories involving discrimination against disabled people such as those mentioned earlier, they might consider whether they cover them to the extent to that they would if they were reporting issues affecting others.

I should like to draw attention to the remarks made by the hon. Member for Bradford, North (Mr. Rooney) about child poverty. It is perfectly true, as he says, that the Government have made some progress, although it is worth pointing out that they are likely to miss their child poverty targets for 2010. It is also worth saying that the latest figures published, those for 2005-06, showed that what progress they have made has gone into reverse and an extra 200,000 children now live in poverty. Does the Minister think that the Government will hit their 2010 child poverty targets? It would be useful to get that on the record.

As the right hon. Member for Oxford, East (Mr. Smith) said, it is true that there has been some progress in getting people with disabilities into the workplace, although not as much as the Government or indeed any of us would wish. In looking at the statistics produced by the Office for National Statistics on working-age people with work-limiting disabilities, I am afraid that I could not go back to 1997. The data do not go back that far, although I know that Government Members like starting with the year zero. In 1999, 46.2 per cent. of long-term disabled people were in employment; by 2007, that percentage had increased to 50.5 per cent. That is a welcome improvement, but, as other hon. Members have said, it is not as big an improvement as one would hope.

The hon. Member for Kingswood is absolutely right that the best route out of poverty for disabled people who can work is to get into work. He made some interesting comments that flow nicely into some points that I want to make about the welfare reform proposals that my party has published, on which we are consulting. He made an important point about using the savings that are gained from not paying incapacity benefit and other out-of-work benefits to disabled people whom we get back into work. Those savings, and the tax and national insurance contributions that they pay, can be used to fund the help and support that are required to get disabled people back into work. He drew attention to the current Treasury rules, which make it difficult, if not impossible, to invest those savings in getting such people back into work.

I am pleased to put it on the record that my hon. Friends in the shadow Treasury team agree with the hon. Gentleman, and that we propose to use private and voluntary providers that will get paid only on results, when they get people into work for sustained periods. We would use those savings to fund programmes. Only in that way can we address the issue of all the people on out-of-work benefits, including those who have been on such benefits for some considerable time. If we do not make that change, we must limit our ambitions to the people who newly enter such benefit programmes. I am pleased that we have been able to do that, and I would like nothing more than if the Chancellor of the Exchequer said in his Budget statement tomorrow—

Mr. Rooney: I would have hoped that the hon. Gentleman was more assiduous. There is already an agreement between the Department for Work and Pensions and the Treasury for just such an arrangement: a proportion of the savings made on incapacity benefit through the new Pathways To Work programmes will return to the DWP to finance further programmes. That has already been done.

Mr. Harper: I am grateful to the hon. Gentleman for that intervention. I know that that is done in a limited way, but it does not enable the Government to focus their employment and support allowances on all of those who are on out-of-work benefits. I think that the hon. Gentleman gave the statistic that if one is on incapacity benefit for more than two years, one is more likely to die or retire than to come off it. A significant number of people are on incapacity benefit. More people are on incapacity benefit now and have been on it or its predecessor benefits for more than five years than in 1997. A significant number of people under 35 are on incapacity benefit. It cannot be right to allow them to spend their entire lives on out-of-work benefits without trying to extend programmes to everyone on out-of-work benefits and to get them all back into work if they are able to work. As has been said, that is the best route out of poverty.

The right hon. Member for Oxford, East made another wise point, which was followed up by other hon. Members, about the extra costs that disabled people have to bear,

[Mr. Harper]

and whether they are properly reflected in the disability living allowance. I hope that the Minister will respond to that point. On what basis are those figures calculated? Some transparency would be helpful, because at least then we could engage in a proper debate. In its excellent report, which has been mentioned by several hon. Members, Leonard Cheshire has had a good stab at doing that work and has come up with an estimate. Other organisations have done similar work, and it would be good if the Government were to undertake an official version of such work, which could be built into the calculation of such benefits and allowances, to give those disabled people a level playing field on which to compete with everyone else in the workplace.

The hon. Member for Kingswood talked about the access to work programme. I know that the Minister agrees that it is one of the Government's best-kept secrets, because I have heard her say so before. I know what she means, and I agree that it is an excellent programme, but I have found from both empirical and anecdotal research that a significant number of employers, particularly smaller employers, have never heard of it. In debates such as this, we should all take the opportunity to reiterate that the programme exists and how good it is. That is why I am talking about it even though other hon. Members have already done so. More employers should be aware of the programme and should take it up where necessary to enable more disabled people to get back into work. It is easier than employers might envisage.

I shall make only a few more points, because I want the Minister to have time to answer the many points that the hon. Member for Kingswood made. First, the right hon. Member for Coatbridge, Chryston and Bellshill (Mr. Clarke) again made the point about Scotland that I have heard him make several times. If he wants a UK-wide approach to disability poverty, he should remember that his party devolved such matters to the Scottish Parliament and the Scottish Government, which is controlled by the Scottish National party. The place to have these arguments is, therefore, in that Parliament and not in this place.

Mr. Tom Clarke: I am grateful to the hon. Gentleman for referring to my comments, because I had a feeling that he was not going to say a word on them. I think that the charming Annabel Goldie will be hanging on his every word. She and I would like to know whether he believes that, given devolution, which we accept as a reality, transparency and accountability should apply to resources that are made available specifically for disabled children and their families.

Mr. Harper: Absolutely; I am a great believer in transparency, and I have no problem with the right hon. Gentleman pressing for the SNP Government to be open about where they spend such money. Unfortunately, however, even if he disagrees with the priorities of that Administration, we in this place can no longer influence them, because those matters have been devolved. I am sure that he will continue raising this issue. His campaigning work and his arguments about disabled children are well made and are often supported by the Conservatives.

In closing, I thank the hon. Member for Kingswood again for securing this debate, which has given us an excellent opportunity to make several points on the record. Finally, as the hon. Member for Bradford, North mentioned the Minister's fine qualities, it is worth mentioning, by way of balance, my right hon. Friend the Member for Richmond, Yorks (Mr. Hague), who was an excellent Minister for disabled people. Indeed, he put the first Disability Discrimination Act on the statute book in 1995. On that note, I look forward to hearing the Minister's comments.

10.48 am

The Parliamentary Under-Secretary of State for Work and Pensions (Mrs. Anne McGuire): Let me say at the outset that I am not going to compete with the right hon. Member for Richmond, Yorks (Mr. Hague). I have congratulated him on the Floor of the House on challenging a significant majority of his own party on the Disability Discrimination Act. I pay tribute to my colleagues, including those present—my hon. Friends the Members for Kingswood (Roger Berry) and for Bradford, North (Mr. Rooney), and my right hon. Friend the Member for Coatbridge, Chryston and Bellshill (Mr. Clarke)—for campaigning to encourage the then Conservative Government to put that Act on the statute book.

I welcome you to the Chair, Mr. Chope, and I congratulate my hon. Friend the Member for Kingswood on securing the debate. He has shown significant commitment to this issue over many years. I also thank other hon. Members for their contributions. I am particularly pleased to note that my right hon. Friend the Member for Oxford, East (Mr. Smith), the former Secretary of State for Work and Pensions, was present at the debate earlier. It is significant that, although he is no longer the Secretary of State, he continues to take a great interest in the subject and attends debates such as this one.

I shall try to answer as many of the questions that have been raised as possible, but let me get one thing out of the way and then I will be able to settle down a bit. The hon. Member for Forest of Dean (Mr. Harper) mentioned this Government's child poverty targets. I just want to say, colleagues, that I welcome his interest in child poverty, but we have a target for which we are being held to account, and we welcome the fact that we are held to account for it. His party does not have a target. It once had an ambition to eradicate child poverty, but demoted it to an aspiration, and now we are not even sure whether it has that.

Mr. Harper: Will the Minister give way?

Mrs. McGuire: No, I will not. I am not quite sure whether the hon. Gentleman's party has even an aspiration. He said that he had heard me say certain things. I have certainly heard his colleagues challenged on that issue on the Floor of the House.[1]

The other issue is, of course, long-term incapacity benefit. There were fewer people on the benefit in 1997 than there are now because it was introduced in 1992, and even the most basic mathematics indicates that it would be nigh on impossible only four and a bit years after a benefit is introduced to have a significant number

1. *[Official Report, 19 March 2008, Vol. 473, c. 8MC.]*

of people on it long term. We should start to be a little more mature when we bandy figures about.

I am delighted that this debate is being held today, because yesterday the Secretary of State and I met with John Knight, the head of policy for Leonard Cheshire Disability, to consider some of the issues in the organisation's report. I know that my hon. Friends and, I would hope, hon. Members across the House, accept that we have made considerable progress in tackling poverty. Indeed, hon. Members alluded to that this morning.

However, we also recognise that there is difficulty in reaching a consensus on how some of the issues are assessed, and on how we calculate the level of disability poverty. We cannot reach consensus, although we continue to do work to try to get to the bottom of how we assess the real level of poverty.

Regardless of the methodology used, we accept that there is significant poverty among disabled people. According to our material deprivation measures, before housing costs, some 22 per cent. of individuals living in households affected by disability are at risk of income poverty, compared with 16 per cent. if no one in the household is disabled. We should not worry about the figures, but we should recognise that major issues must be addressed.

My hon. Friend the Member for Kingswood and one or two other colleagues raised some specific issues. In the short time that is available to me, I shall try to pick up on those issues rather than give a set response to their contributions. My hon. Friend asked about disability living allowance take-up, particularly among disabled children. Again, I hope that colleagues recognise that it is difficult to assess the level of take-up, because DLA is an individually assessed benefit. Both DLA and attendance allowance are always difficult to calculate. However, we are working with the Policy Studies Institute on a feasibility study to explore the suitability of options for estimating take-up so that we can get to a position where we can understand what the take-up issues are.

Our disability and carers service is working with "Every Disabled Child Matters" to promote take-up of DLA among children and, more generally, to determine how the service can be more responsive to their needs. It is tackling some of the issues that my right hon. Friend the Member for Coatbridge, Chryston and Bellshill raised in the Select Committee. We are looking at how to pick up on some of those issues.

I am not sure that I ever did say that the access to work programme was a secret. If I did say that, I would suggest that it was because I am sometimes disappointed that, as my right hon. Friend highlighted, we do not get publicity on access to work and how it promotes employment for disabled people. My right hon. Friend is dead right, as we say north of the border, on this one: the programme is successful and popular, and it generates net flow-backs to the Exchequer. There is no dispute about that.

My hon. Friend the Member for Bradford, North, who is the Chairman of the Work and Pensions Committee, was right in saying that there were some issues with access to work. I hope that he agrees that there have been some significant changes in how we operate—the turnaround times are certainly better now than they have ever been. I listened to his radical approaches, not just on access to work but on other aspects of the benefit system, and I shall consider them over the next period or so.

On the extra costs of disability, again, it is difficult to get to a concept or methodology that is generally accepted. However, I put it on the record this morning that we welcome the Leonard Cheshire Disability report as a major contribution to the debate.

I believe that my hon. Friend the Member for Bradford, North highlighted the importance of child care in encouraging disabled adults and parents in a family to move into employment. He may be aware that the Department for Children, Schools and Families is seeking to improve the lives of disabled children with its "Aiming High for Disabled Children" implementation strategy. A key part of the additional investment will be improved access to child care for disabled children. His comments were spot on: we cannot tell parents of disabled children that we want them to move into work if they have major difficulties in accessing child care, and that is why we have welcomed the report.

I am not sure which hon. Member raised the matter of disabled children getting fair access to education. I believe we all agree that poverty comes in many guises. My right hon. Friend the Member for Coatbridge, Chryston and Bellshill said that there was sometimes a poverty of ambition. We all recognise that sometimes the seeds of poverty of ambition are sown when children are young, and that we need to ensure that our education system lifts their ambitions and aspirations. Indeed, since September 2002, schools and local authorities have been under a duty not to treat disabled pupils or students less favourably than those who are not disabled.

In the brief time that is left to me, I want to ensure that the message of this debate is not lost. One of the important ways out of poverty for disabled people is through work, and I welcomed the contribution of my hon. Friend the Member for Kingswood on ensuring that the operation of our benefit system and our support for people who want to move into employment is adjusted—as a matter of fact, one could say "revolutionised". We now have Jobcentre Plus and Pathways To Work, and partnerships are in place that are far more sensitive to the needs of the individual and of disabled people.

I am sorry that the past eight minutes or so have involved such a quick tour of some of the things that have been raised in the debate, but I shall write to hon. Members if I have missed anything important. I want to put it on the record that, yes, we have a lot more to do, and there are all sorts of things that we could do differently and better, but this Government certainly do not suffer from a poverty of ambition to improve the lives of disabled people over the next years. That is why "Improving the Life Chances of Disabled People" and the independent living strategy have been published. That is why we will, in fact, achieve what we set out to achieve. It is only by working with organisations such as Leonard Cheshire Disability and my colleagues in this Chamber that we will achieve that.

Transport Infrastructure (Yorkshire and Humberside)

11 am

Mr. Graham Stuart (Beverley and Holderness) (Con): It is a great pleasure to speak in this debate, Mr. Chope, with you in the Chair. However, there is a common error in the title of the debate, because it should be about Yorkshire and Humber. Humberside ceased to exist some 12 years ago and it is little lamented, not least in east Yorkshire.

I am delighted to have secured this debate and to have the opportunity to speak about an issue of great importance to my constituents and to the wider community of people across the Yorkshire and Humber region. It is a pleasure to stand opposite the Minister, with whom I debated in Westminster Hall when there was a rather unpalatable situation with community hospitals. However—thanks, doubtless, to the Minister and her colleagues—there were subtle changes in the Government position. I hope that today's debate can similarly engender subtle changes in their position to the betterment of transport in Yorkshire.

In June 2006, I introduced a debate on the A1079 corridor between Hull and York. I argued that that road is dangerous, congested and cannot support a powerful, dynamic growth area. I could have expanded my arguments to include other roads, bus routes and train journeys affecting the whole region that are no longer fit for purpose and risk holding the county of Yorkshire back from the future growth, prosperity and success.

I shall discuss first the contribution that Yorkshire and Humber have made to the country's economic development, especially over the past 10 to 15 years, then focus on the economic and social transformation that will be at risk unless improvements are made to the region's transport infrastructure. I will then focus on what the region's Members of Parliament, together with groups such as Yorkshire Forward and the Yorkshire and Humber regional assembly want to see from the Government in funding and support. I will also consider two specific issues: the A1079 road and the proposed reopening of the Beverley to York railway line. I am happy to give way to hon. Members from other parts of the region.

The basic position is that Yorkshire and Humber has, over the past five years or more, been at the bottom of the table of funding on transport. The Minister will tell us about the increases in transport spending overall and I do not deny that there have been increases. However, I am here to ask the Minister what the rationale is for Yorkshire receiving less per head than any other region in the country. I shall lay out the various areas where our transport infrastructure has been found wanting. Almost every part of the community recognises that that is so, and they have data to back it up. That brings into question any argument that says that giving the least spending to Yorkshire makes any sense.

Yorkshire and Humber is performing strongly. With a population of 5 million, the county ranks alongside Ireland, Greece, Norway and Singapore in population. Some 279,000 businesses contribute to an economy worth in excess of £80 billion. Growth in Yorkshire's gross domestic product has been above the United Kingdom average for the past six years, and above the European Union average for the past four. Manufacturing is predicted to grow by more than 12 per cent. over the next 10 years, and five of the world's top 10 companies have a base in the region.

In the East Riding of Yorkshire, where my constituency is located, business investment has grown significantly, and more people are moving to the area than ever before. The city of Hull has a successful port that caters for more than 1 million passengers a year and can handle up to 80 million tonnes of freight annually. Some £72 million has been spent on Hull's infrastructure since 1990, and it supports a work force of many thousands.

The region as a whole is ideally located in the centre of the country. It supports two of the country's three busiest motorways—the M1 and the M62—and the east coast main line, now under the National Express franchise, runs up to 800 trains a day, including 200,000 tonnes of freight. Hull Trains, which runs up to seven services a day between Hull and London, is a regional success story. It was established in 2000 with just three services a day.

Mrs. Linda Riordan (Halifax) (Lab/Co-op): In Halifax we are campaigning for a direct line from Halifax to London. Perhaps in highlighting the benefits of the direct line from Hull to London, the hon. Gentleman might say how important such lines are for the social and economic benefit of towns such as Hull and Halifax.

Mr. Stuart: I agree with the hon. Lady. The direct line has had a positive impact on Hull, and I am sure that similar services could do so for Halifax. The Hull Trains service has received many accolades, including the prestigious Guardian/Observer/Guardian Unlimited travel award for the best train company. I hope that one day a Halifax train company will vie with Hull Trains for that award.

Yorkshire's strong economic performance has been achieved in spite of, rather than because of, regional transport infrastructure. Let me read the concluding remarks from a recent report by new Labour's pet think-tank, the Institute for Public Policy Research, which looked into the state of transport links in the north of England in general:

> "The North lags behind in some key dimensions: the northern regions receive less public funding for transport per head than other regions and their roads are in worse overall condition than anywhere else in England...high levels of traffic congestion and declining bus use mean that substantial investment in transport infrastructure and reform to transport governance will be required to deliver world-class transport services in the North of the future."

I do not always agree with IPPR reports, but this time it hit the nail on the head. Hon. Members will be aware of the problems facing their local areas. Overall, road traffic usage in the region has increased by 20 per cent. in the past 10 years and, according to the regional assembly, journey times are expected to increase by 30 per cent. by 2012. According to the RAC Foundation, the A1/M1 between south Yorkshire and Leeds, and the M62 in west Yorkshire are both likely to be gridlocked by 2041.

On the railways, the region has seen a 50 per cent. increase in rail passenger numbers since 1996. Again, according to the IPPR, the main rail links in the north

of England, particularly those between Manchester and Hull, and Leeds and Sheffield, are no longer "fit for purpose". The east coast main line, although it is performing strongly, is now at capacity, and there are no specific funding commitments for that line for the period between 2009 and 2014. The situation is so bad that, when surveyed by Yorkshire and Humber chambers of commerce in November 2007, 60 per cent. of businesses said that they were losing income because of the region's transport infrastructure—up 21 per cent. in just one year—and only 14 per cent. felt that the transport system in the region met their needs, compared with 17 per cent. nationally. The Hull and Humber chamber of commerce said in a recent briefing that

"businesses believe that poor transport infrastructure is holding the region back and making it harder for them to compete with other UK regions and internationally."

In east Yorkshire, the cities of Hull and York—two of the big five urban areas in the region—are let down by appallingly bad transport links. There is no direct rail link for passengers, who must go instead via Brough and Selby—an absurd route, which probably adds 45 minutes to each individual journey.

The A1079 is used by an estimated 15,000 vehicles a day. However, just 4.5 km of that road is dual carriageway, with the remaining 39.5 km being single carriageway. It is one of the most congested roads in the region: the journey times even from Beverley to Hull are creeping towards 45 minutes during peak times. It is one of the most dangerous roads, not just in Yorkshire but in the country as a whole. Since 2002, 25 people have been killed in traffic accidents, and 1,037 have been injured, which averages out at more than 200 year. This problem affects the whole region. According to figures released by the Department of Transport, 21,009 road accidents were recorded in Yorkshire and Humber between March 2006 and March 2007. A vast number of people have been hurt. Overall, only the Metropolitan police recorded a higher number of road casualties during a 12-month period, at 21,781.

These grim accident statistics are hardly surprising when we consider that almost one third of Britain's most dangerous roads are in Yorkshire and Humber. According to a recent assessment report by the European Road Assessment Programme—EuroRAP—of the 17 sections of road that present a persistent medium to high risk to users, six are situated in the Yorkshire region. The most dangerous road in Britain is the 15-mile stretch of the A682 between junction 13 of the M65 and Long Preston. Also on the list is the A62 between Diggle and Huddersfield, the A644 between Dewsbury and junction 25 of the M62, and the A1079—specifically the stretch between Hull and Market Weighton.

I hope that the Minister will not suggest that there is some special situation in Yorkshire, or that there is a benign state that means it does not need the investment required in other areas; there is no case to be made along those lines. The East Riding of Yorkshire council deserves to be congratulated on taking steps to reduce the number of accidents on the A1079. Two years ago, it installed up to half a dozen speed cameras, which appear to have had an impact. Some 154 people sustained injuries on the road in 2006, which is down from 255 in 2003, but accidents continue to happen. Earlier this month, two men were treated in hospital for serious multiple injuries following a car crash at Wilberfoss near Pocklington. The men had to be freed by firefighters using hydraulic rescue equipment before being taken by RAF helicopter to York hospital. A few weeks before, a man died following a collision with another car near the village of Shiptonthorpe.

Put simply, the A1079 is in urgent need of improvement. The East Riding of Yorkshire council has clearly stated that fact. In 2006, it claimed that the road was operating

"near to its theoretical capacity for a single carriageway of its width and characteristics."

The main problem for the road is the number of heavy goods vehicles that use it every day—up to 10 per cent. of the total number of vehicles on the road. That is not ideal, particularly because most of the road is single carriageway.

After much local campaigning, the council agreed to undertake a feasibility study for a bid to improve the A1079, which was considered by the council at a cabinet meeting in December. However, the decision on whether to conduct a study was pushed back until the summer, because there is limited money available, and the A1079 is behind two other major development projects in priority. Such projects are worth while. For example, improvements to the A164, which runs between Beverley and the Humber bridge, will make access to that strategic hub much easier, and the Beverley and Bridlington integrated transport plans will make traffic and congestion more bearable for local residents.

If Yorkshire did not receive such a poor share of the transport budget compared with other Government regions, many more improvements could be undertaken, including to the A1079. The same could also be said for the Beverley to York rail link, which was closed in 1965 as part of the Beeching cuts and has never been reopened. Public pressure for the line to be restored led to the appointment of a consultancy group to conduct a feasibility study by the East Riding of Yorkshire council. The group concluded that up to 622,000 journeys a year could be made on the line, provided that two trains an hour were operated, with journeys extended to and from Leeds. As ever, the sticking point was the estimated cost, which was projected to be up to £239 million, with a cost-benefit ratio of between 1.26 and 2.04 over 60 years. Although there is a positive cost-benefit ratio, the chances of the line seeing the light of day in the next 10 to 15 years are slim.

As I have said, the crux of the issue and the main reason for initiating this debate, is to ask why Yorkshire receives less money than any other region. As hon. Members will know, when Department for Transport funding is distributed, our region sits at the bottom of the pile, although this year, it has crawled up slightly from the very bottom. In 2001-02, Yorkshire and Humber received just £140 per head in transport funding, which compares with £323 for London and £171 on average in England. As a percentage of the English total, our figure was 81.9 per cent. of the average. In 2006-07, funding for Yorkshire and Humber increased to £215 per head. However, in London the figure was £614, and in England overall it was £305. For some reason, over the past six or seven years, our figure has dropped to 70.5 per cent. of the English total. Again, the people of Yorkshire and Humber want to know the rationale behind that cut in relative spending.

Ms Angela C. Smith (Sheffield, Hillsborough) (Lab): I congratulate the hon. Gentleman on securing the debate. It is important to acknowledge the work that

[Ms Angela C. Smith]

the Minister and the Department have done to reimburse local authorities for the damage caused by the flooding last summer. Sheffield has just received more than £9 million—£10 million in total—to repair the damage done to local roads by the floods. We should at least acknowledge what has been done while making the case for what has not been done.

Mr. Stuart: The hon Lady is correct, where things have been done right, that should be acknowledged. On the floods, the Audit Commission considered the financing of local government in relation to floods and emergencies, and described the situation as incoherent, overlapping and very poor—that is not an exact quote, but I think it was the conclusion that was reached. To put those figures in context, the insurance companies have spent in excess of £3 billion, on which they are forced to pay VAT. The Exchequer has therefore received hundreds of millions of pounds as a direct result of the flooding. The sums it has put back do not adequately compensate councils, such the East Riding of Yorkshire, for the damage that has been sustained, not least to the highways. The sum will emerge over the next couple of years, but we should put it in context. I completely agree with the hon. Lady; justice should be done and recognition should be given where it is deserved.

Nobody is saying that the region should have parity with London, which is a major international city and finance centre with specific needs, but what is the justification for Yorkshire doing so badly compared with other regions? A number of recent reports have set out in detail the economic rewards that the region would gain if more money were invested in transport infrastructure. A report from the think-tank Centre for Cities suggests that if the necessary investment was made in its public transport infrastructure and a park-and-ride scheme, the local economy in and around Leeds would benefit to the tune of £68 million a year. The report concluded that improvements to the trans-Pennine rail link and to the M1 and M62 would benefit the cities of Manchester and Leeds to the tune of £225 million a year. The Northern Way report, "North-South Connections", published in August 2007, states that investment in north-south and east-west rail links would benefit the economy by up to £10 billion. The Institute for Public Policy Research states in its report that

> "two of the northern regions—the North East and Yorkshire and the Humber—appear to lose out significantly from the current distribution of public investment in transport: the Department for Transport should review its future funding allocations to make sure that these regions get a fair share of funding"—

whatever that funding is. That goes to the heart of what hon. Members from all parties and I want to say to the Government today: we accept that increased investment has been made, but we would like an explanation of the rationale involved and a fair share of the investment made nationally, according to a criteria that we, as Members of Parliament, can understand.

I would also like to raise the issue of the Humber bridge and its tolls. The Minister will know that the original quote for building the Humber bridge—we all know why it was built at the time of a by-election in 1966—was £28 million. As a result of Government procurement and management—or mismanagement—that figure trebled while the bridge was being built. Over the years, in the hands of Governments of all parties, the debt has been left to sit on Government books, although I pay credit to the Government for writing down some of that debt in the Treasury's books. The debt in public accounts is now £300 million more than the original quote of £28 million to build the bridge, as it is £333 million. It is my constituents and the constituents of the hon. Member for Sheffield, Hillsborough (Ms Smith) who are paying for that, as they pay the highest toll in the country to cross the bridge. The tolls also have an economic impact on the region. I would like to inform the Minister, if she does not already know, that the local authorities will produce a report later this year that will consider the economic impact of the Humber bridge tolls. I hope that I have readied her for receipt of the report later in the year. Removing the tolls could have a positive economic impact.

I have come to the end of my remarks within the 20 minute margin. The Minister has influenced community hospital policy to the betterment of my constituents, so I hope that she can influence Government and that, particularly as the Minister for Yorkshire and the Humber, she can concentrate on representing Yorkshire in government rather than the other way round. I trust that, with her talents and arts of persuasion, she will be able to do precisely that.

11.20 am

Mr. Paul Truswell (Pudsey) (Lab): I congratulate the hon. Member for Beverley and Holderness (Mr. Stuart) not only on securing this important debate, but on the excellent panoramic view that he has given of transport issues in the region. I shall try not to reiterate the bevy of statistics that we have all come to the debate suitably armed with. It is not my intention to be too parochial or to play beggar-my-neighbour in the debate, but all of us will put our constituencies forward as perfect examples of the transport challenges that the hon. Gentleman described. Key roads in my constituency are often choked with traffic. Rail is affected by overcrowding, and buses have been hit by the effects of deregulation, higher car ownership and usage, and congestion.

Normally, my eyes glaze over when I see a document that contains the word "strategy". I like to wait for the action plan that follows it if there is one, but an exception is the 25-year Leeds city region transport vision and investment plan—that is a mouthful—because it is a cogent and coherent document. I can extrapolate from that strategy, contrary to other strategies, what the benefits advocated by it would be for my constituency and constituents, as well as for the rest of the Leeds city region. I know that my right hon. Friend the Minister is aware of the document, because we exchanged views on it in a fairly recent Adjournment debate that I secured on transport issues affecting my constituency. It is an excellent analysis of the needs and, I submit, a modest document in terms of the finances that would be required to realise the proposals.

Rail plays a crucial role in my constituency. We have taken some years to recover from the effects of privatisation. I am thinking of the time when the first franchisee—MTL—got rid of 80 drivers, with all the concomitant unreliability and cancellations of services. In addition, a

huge proportion of the extra investment that the Government have allocated to rail has gone into maintenance and safety issues in the wake of the Hatfield disaster, which has deflected that investment away from the more visible and tangible aspects of rail provision—that is, extra rolling stock.

Northern Rail data show significant overcrowding problems affecting most services into Leeds during peak times. The main examples are the three lines that run through my constituency: the Airedale and Wharfedale line, the Harrogate line and the Caldervale line. At peak times, each of those exceeds 135 per cent. of seating capacity, which is generally regarded as the maximum practical load. That lack of capacity and the poor quality and reliability of services, particularly into Leeds, are already discouraging trips at peak times. It is no surprise that the 25-year strategy regards improvements to those lines as key measures.

I recognise that, under the present Government, there have been improvements to all three stations in my constituency: Horsforth, Guiseley and New Pudsey. We have seen new 333 class rolling stock on the Airedale and Wharfedale line. We have seen the £150 million upgrade of Leeds City station, which has increased its efficiency and reduced the waiting times that used to typify services going into the city. Last year, a partnership of Metro—the West Yorkshire passenger transport executive—Yorkshire Forward and Northern Rail increased capacity on lines such as the Caldervale line, but unfortunately unreliability has led to a continuation of major complaints from passengers about overcrowding at peak times. The hon. Member for Leeds, North-West (Greg Mulholland) may have comments to make about the fact that, often, trains that go through Burley station in his constituency have been filled at the previous station by my constituents, if they are fortunate enough to get on the train.

The proposal in the White Paper, "Delivering a Sustainable Railway", to deploy 1,300 extra carriages and the recognition that a fair proportion of those should come into the Leeds area are welcome, but we need the carriages very soon and we need as large a proportion as possible. It certainly needs to be at the higher limits of what has been envisaged by the Department for Transport. The 25-year Leeds city region plan proposes extending the electrification measures that have been so successful on the Airedale and Wharfedale line. That example demonstrates the value of extending them across the area.

Bus deregulation has been a disaster for many communities throughout the country, not least communities in my area. Since deregulation in 1986, fares in Pudsey and west Yorkshire have gone up by more than 50 per cent. in real terms. Passenger numbers have declined by almost 40 per cent., which equates to 100 million passenger journeys. As in many areas, services are chopped and changed, missing, late or unreliable, and passengers, if they have an alternative, simply vote with their feet, or rather with their cars, with all the attendant problems that that creates: congestion, pollution and rat running and speeding through residential communities.

When we appeal to First Bus when it takes a service off the timetable because it is not profitable, we get what I call the two-fingered response, if you will excuse the gesture, Mr. Chope. The first part of the response is that the service is not profitable, and the second is, "Go away to Metro and get a subsidy." Part of the problem with that is that, although all the figures show that the Government have been making more and more finance available to PTEs to subsidise services, we have not been getting a commensurate increase in the services provided.

All hon. Members could cite a litany of service cuts down the years in their areas. I am thinking of services such as the 97, 647 and 651 in the Guiseley and Yeadon areas. We are currently having battles over services such as the 966 in Yeadon and over cuts to the 81 and 82 services serving Pudsey and Horsforth. Some communities, such as Farfield and Hough Side in my constituency, have simply been cut off; they have ceased to exist as part of a bus route. People cannot get to key facilities such as the newly rebuilt Wharfedale hospital, which, although it is in the constituency of the hon. Member for Leeds, North-West, serves a large number of my constituents, too.

Ms Angela C. Smith: I agree with my hon. Friend's comments and hope that the Local Transport Bill will offer us the regulation that we need to sort out the problem. Yesterday in *The Guardian*, there was a report that bus operators may try to challenge the national concessionary bus pass scheme for the over-60s, because they say that they will lose out with that. Will he join me in being critical of that move, given that the bus operators have done very well out of deregulation over the past few years and that that bus scheme is one of the best things that has been done in the past few months by the Government?

Mr. Truswell: I absolutely agree. It would be a shame if bus operators seek to challenge the scheme, because there is a suspicion—I put it no more strongly than that—that they have been jacking up their standard fares to maximise their income once the nationwide concessionary fares system comes into operation. It is absolutely right to say that the deregulated system has given them a licence to print money and they make profits even when they are not providing a decent service.

We know all the environmental benefits of rail and buses. The Tyndall centre for climate change research has given us many insights into that, although I will not go into the details. The plan for the city region envisages more quality and accessibility improvements, including the holy grail of integration—integrated ticketing—better passenger information, the extension of existing guided busways, which have been so successful in certain parts of Leeds, and high-frequency bus rapid transit corridors to complement rail corridors.

I welcome the Local Transport Bill and the easing of requirements on quality contracts, but as the Minister knows, I, together with others, still have reservations about the process. I do not intend to go into those in detail now; I will share them when the Bill comes before this House.

As the hon. Member for Beverley and Holderness rightly indicated, most of the strategic routes in Yorkshire, certainly those in the city region, are congested at peak times, including the motorways. The A65 and the ring road in my constituency is a good example of a route on which people experience increasingly lengthy peak-time delays and congestion. The worsening congestion has led to a deterioration in the reliability of journey times.

[Mr. Truswell]

As a result, peak periods are simply growing like Topsy. Some drivers re-time their journeys to avoid the worst congestion, thereby further extending the peak period.

I do not intend to reiterate the hon. Gentleman's points. At the end of the day, the question, as always, is how we pay for the improvements that are envisaged in the plan. As my right hon. Friend the Minister will know, the estimated cost is slightly more than £4 billion in 2006 prices, although that will increase by £500 million when the so-called optimism bias is factored in—I shall not bore hon. Members with a description of that because most of us will have come across it at some point. The good news is that the sum includes funding that is already committed for transport in the city region. Around £1.75 billion, which is 40 per cent. of the necessary funding, has already been committed, and a significant part of the remainder does not require new funding sources. Unidentified funding currently totals about £1.8 billion. The plan is explicit on the wide range of possible funding sources that could be used to make up the shortfall, which includes the transport innovation fund, train operator investment, section 106 contributions from developers, additional funding from local authorities, and the Northern Way growth fund and its successor.

There has been significant real-term increases in funding for transport in the region, which was welcome—I am pleased that the hon. Member for Beverley and Holderness acknowledged that in his balanced contribution. However, at the end of the day, we are asking for a much fairer share of the larger cake—I can put it no more starkly than that. I was going to go through some of the statistics that the hon. Gentleman mentioned, but I shall not waste time doing so because other hon. Members wish to speak. I share his analysis. The case is indisputable and the cost is modest compared with the benefits and certainly the consequences of not meeting the challenge. As I said, we need not only a fair wind from the Minister, but fair funding.

11.32 am

Greg Mulholland (Leeds, North-West) (LD): I congratulate the hon. Member for Beverley and Holderness (Mr. Stuart) on securing this debate—there can be no better time to discuss the matter. As he made clear, and as I am sure we all agree, transport infrastructure is vital to growth and development in any area or region. It supports economic renewal, contributes to environmental sustainability, and tackles social exclusion by linking deprived areas at risk from marginalisation to key services and the new opportunities that are created by the kind of regeneration and growth that we all want. However, investment levels in Yorkshire and the Humber on transport infrastructure are a concern—I shall speak particularly about Leeds.

My Leeds colleagues will agree that the city is in many ways a huge success story, but equally that a lack of investment in transport infrastructure is, simply put, holding back further growth and, indeed, costing us further inward investment. Yet again, in 2006-07, for the third year in a row, Yorkshire and the Humber came bottom of the Government expenditure league table—a position that we are not prepared to accept, and nor should we. More worryingly, the gap is widening dramatically compared with transport spending in London and the south-east in particular. To demonstrate that, in the five years from 2000-01, our region went from receiving just less than half the per person spend in London and the south-east to less than a third in 2005-06. That could not be more starkly shown than by a graph of the increasing gap. The Minister should address that gap by increasing the per person spend in Yorkshire and the Humber in a meaningful way. Unfortunately, the pattern at the moment shows little sign of change. In 2006-07, the spend was £215 a head in Yorkshire, compared with the £614 per head enjoyed by those in London—nearly three times as much.

As the hon. Member for Beverley and Holderness mentioned, the chief economist at the Institute for Public Policy Research, Howard Reed, highlighted the matter. He said:

> "Major investment in the rail network, bus services and upgrades to the North's road network are crucial ... It is imperative that the resources that are available for transport investment are allocated to where they can be most effective".

That sentiment is strongly echoed by the Leeds chamber of commerce on behalf of the Leeds area. Ian Williams, the chamber's executive director of policy, said:

> "Funding is everything and unless we increase the level of overall transport funding, we will always be on the back foot, we will always be at a disadvantage compared to other regions".

The chamber points out that, despite the fact that Leeds is a key driver for the economy in the region, and thus supposedly a key focus of Government policy, it actually receives only 24 per cent. of the regional transport budget. It argues, quite sensibly, that transport investment is needed in the areas where it will deliver the greatest return and that, therefore, there is surely an argument that cannot be ignored to invest further in the Leeds city region.

Hugh Bayley (City of York) (Lab): Of course Leeds needs more investment, but it is not the only economic centre in Yorkshire—York's science base is also extremely important. We should not get into the business of robbing Peter to pay Paul. Rather, do we not need to fight for the region as a whole?

Greg Mulholland: The hon. Gentleman is right to stick up for the wonderful city of York—I spent a very happy five years there. Of course, York is a vital hub for the region, as is Leeds. I am not talking about competing for a limited pot; indeed, the hon. Member for Pudsey said that we are trying to get a bigger slice of the cake. My point, with which the hon. Member for City of York will probably agree, is that because cities such as Leeds, Hull, York and Sheffield make such a contribution to the region's economy, it surely makes sense to invest in them rather than pouring so much money and such a proportion of the cake into the south-east, which is already over-developed. Doing so would provide a win-win solution. However, the Department for Transport is increasingly fixated with the south-east, and it continues to ignore such a solution.

We have already heard about capacity on the railways. To add to that, there was an extraordinary revelation from the body responsible for promoting public transport—Metro is the West Yorkshire passenger transport authority—a few weeks ago. It said that it was unable to promote the benefits of peak-time train travel in the region because the trains were bursting at the seams and it simply could not accept any further capacity.

We all know that the issue goes back to the short-sighted decision to award train franchises on a no-growth basis, which still detrimentally affects us. We also know about the 60 to 90 extra carriages proposed by the Department for Transport. However, that will not be enough—Metro estimates that we will need 135 extra carriages simply to meet current demand, not including the capacity necessary for park-and-ride facilities and the like, which we will need if we are to get more people out of their cars.

To echo the hon. Member for Pudsey, around 15,500 passengers arrive at Leeds on local services in the morning, about 15 per cent. of whom do not have a seat. The hon. Gentleman mentioned the figure of 135 per cent. of capacity. The Leeds-to-Harrogate line, which runs through my constituency, is one of the worst, with 133 per cent of capacity. Actually, the busiest train on that line operates at 213 per cent. of capacity, which is exceeded only by the extraordinary 274 per cent. of capacity on trains coming into Leeds from Castleford and Knottingley.

Incidentally, I should point out that the hon. Member for Pudsey and I share Horsforth station—we have a platform each—and I can only claim half of Burley park station because the other half is in the constituency of the right hon. Member for Leeds, West (John Battle), who is also behind the campaign to get a better funding deal for the region. The Harrogate-to-York line, which is linked to my area, goes through the magnificent Bramhope tunnel, which was finished in 1849, an era in which we in this country invested in public transport. Yet today, the Government do not provide enough carriages to allow people to travel in comfort through the tunnel. How far back have we gone regarding investment in public transport? Yes, there has been investment, but the Government have spent 11 years tinkering around the edges in Yorkshire and the Humber and the situation has got worse.

I turn to the subject of congestion. Several sections of the motorways around Leeds—the M1, the M62 and the M621—are operating close to capacity. Between junctions 5 and 6 on the M621, average speeds during the peak hour are as low as 20 mph. The hon. Member for Stafford (Mr. Kidney) may smile, but I suggest that he visits us to see the reality of the situation.

We have two of the most badly congested roads in the country—the A660, which runs like a spine through my constituency; and the A65, a section of which I share with the hon. Member for Pudsey, though he has the bulk of it. The situation is not getting any better. The Government say that they cannot find £500 million for the Leeds supertram scheme, yet they can find £16 billion for the Crossrail scheme in a city that already has an integrated and extensive public transport system.

Mr. Graham Stuart: Does the hon. Gentleman agree that one of the difficulties with Government plans is their failure to honour and deliver on previous promises? Promises made in the transport 10-year plan in 2000 were not met. In the 2002 spending review, the then Chancellor, now the Prime Minister, promised that

"55 strategic road schemes are now being progressed through the Targeted Programme of Improvements, and around 100 more will be added as the programme of multimodal studies moves towards completion over the next two years".

That was a tremendous soundbite, but the Department for Transport's annual report in 2006 stated that only 36 strategic road schemes had been completed since 2001, which is a failure.

Mr. Christopher Chope (in the Chair): Order. That was a very long intervention. I hope that two more hon. Members will be able to speak before I call the wind-ups at midday.

Greg Mulholland: The supertram experience has left a bitter taste. The Manchester and Nottingham extensions and the Edinburgh scheme have been given the go-ahead, despite similar costs and a significantly worse cost-benefit ratio, so it is clear when it comes to decisions on transport that it is one rule for some regions and another for Yorkshire.

We are united across the political spectrum; indeed council leaders from all parties and all the city's MPs have made the same case, but all we hear from the Minister is that small is beautiful. I am disappointed. Unlike Ministers for Health, whose job is clearly to promote health, it seems that the Minister for Yorkshire and the Humber is not meant to promote Yorkshire—she represents the Government to Yorkshire, not Yorkshire to the Government. That is extremely regrettable.

I have three questions for the Minister. First, when are we going to get a fair deal on transport in Yorkshire? Secondly, when will the Government take seriously the transport issues that are hampering regional development? Thirdly, when will we stop being bottom of the league for transport spending? We are not prepared to put up with that, and we will keep saying so until we get the fair deal that the people of Yorkshire and the Humber deserve.

11.43 am

Hugh Bayley (City of York) (Lab): I challenge two myths. The first is the myth in parts of the road transport lobby that building roads is the only answer to congestion and the second is the myth from parts of the environment lobby that investment in roads is bound to be bad for the environment. I congratulate the universities of York and Loughborough, Imperial college London and a number of transport companies for winning £4 million of Government investment to research solutions to road congestion. Among other things, the research will use military situation awareness technology; QinetiQ, the defence research company, is one of the partners to the consortium. It will seek to be able to tell drivers not only where there is a traffic jam but how to avoid it; and it will tell transport managers what the causes of congestion are and what needs to be done about them.

It is important to realise that technology has as much to contribute to reducing congestion as tarmac. Reducing congestion is important, because it leads to better safety on the roads. It also leads to less pollution. Vehicles queuing up with their engines running are going nowhere, but they have a severe environmental impact. Transport is the one sector of the economy in which carbon emissions continue to rise, and we need policies to reduce those emissions.

The view that all road transport investment is bound to increase pollution is wrong. A good example of its wrongness is the investment in York park-and-ride schemes over the years, which has hugely reduced the number of

[Hugh Bayley]

car journeys in and out of the city centre. City of York council is bidding for funding for improvements to York's northern ring road junctions, and for additional park-and-ride facilities.

Last year, we faced a large number of manufacturing job losses; Nestlé, the chocolate manufacturer, and British Sugar both announced redundancies, following the previous year's announcement that Terry's of York was moving out. One reason given by the companies for cutting manufacturing in York was road congestion; they blamed it for the length of time that it took to get the raw materials into the factory and the goods out. If, as a result of manufacturing closures due to road congestion, manufacturing moves abroad—perhaps to eastern Europe, as was the case with Terry's—the road miles used in the making of the food and the chocolate bars would be enormous. A modest investment in roads in the United Kingdom could lead to huge environmental benefits.

I seek Government support for three schemes about which City of York council and I spoke to the Minister on 4 February. The first is the council's bid for funding for three new park-and-ride sites. The first such site to be constructed was at Askham Bar, the Leeds gateway to York, just off the A64. That is now used by 600,000 passengers a year. The site has room for 550 cars; it is normally full by 10 am, and drivers are rerouted to other sites, thereby lengthening their journey. The idea is to replace that site with one nearby with space for 1,250 cars. The second change would be to construct a new park-and-ride site where the A59 crosses the northern ring road close to Poppleton, and to change the junction to improve traffic flows on the ring road. That would provide space for 750 cars. Thirdly, there would be a 750-space park-and-ride site on Wigginton road, with additional bus priority measures from there into York.

Secondly, I would like the Government to support the Highways Agency's bid to the regional transport board to upgrade the A64 Hopgrove roundabout, where the A64 branches off the ring road towards Scarborough. Finally, I notify the Minister that, later in the year, City of York council will be making a bid to the regional transport board for additional improvements to the outer ring road, in order to improve traffic flow. There has been much debate in York about dualling the ring road, but the bid is not for dualling but to make the existing road work better. I shall leave my hon. Friend the Member for Cleethorpes (Shona McIsaac) a little time to contribute to the debate.

11.49 am

Shona McIsaac (Cleethorpes) (Lab): Thank you, Mr. Chope, for calling me to speak in this debate. First, I congratulate the hon. Member for Beverley and Holderness (Mr. Stuart) on securing this important debate and I am glad that he put on the record that Humberside no longer exists as an administrative area.

Other hon. Members have already mentioned this, but I would also like to say that I welcomed the Minister's announcement yesterday of money to repair roads damaged by floods. North Lincolnshire council will receive £1.5 million from the Government to assist it in road repairs, so I thank her for that.

I want to set the scene a wee bit. Everyone today has been talking about Yorkshire and we have this little bit added on to the name of the region, called the Humber, which is actually the name of a river. The area that I represent is, in fact, in Lincolnshire, so I want to set the scene about that part of the region.

The port of Immingham is the transport hub of the area. About 64 million tonnes of cargo go through Immingham every year. Twenty per cent. of the UK's freight begins or ends its journey on the south Humber bank. The south Humber bank is also an industrial area with many major British industries involved there. It also contains most of Britain's oil refining capacity. We also have Grimsby docks adding to the trade that is going in and out of the area, particularly with cars being imported and exported.

That description should give hon. Members a bit of an idea of the pressure on transport infrastructure in the area. The main east-west route, linking the docks to the A1 and M1, is the M180/A180. That road has a concrete surface. As the Minister will know, roads with a concrete surface are very noisy and, with the increase in volume of heavy goods traffic on that particular road, the noise is getting worse. The Government have resurfaced part of it. However, because that resurfacing has been so successful, local people are lobbying to have the rest of the road resurfaced. I recently met the Minister and the Secretary of State for Transport to discuss the issue, so I would appreciate an update on the timetable for the rest of the resurfacing.

Leading from the A180 to the port of Immingham is the A160 road, linking to all the oil refineries in the area. However, that small section of road is single carriageway and it needs to be dual carriageway. I was told by one truck driver that it is possible to drive from Sicily all the way to north Lincolnshire on motorway or dual carriageway until the point where vehicles come off the A180 on to the A160 and then it is a single carriageway road.

Along with my right hon. Friend the Member for Scunthorpe (Mr. Morley) and my hon. Friends the Members for Brigg and Goole (Mr. Cawsey) and for Great Grimsby (Mr. Mitchell), I led a delegation from North Lincolnshire council to meet the Minister's officials and we were told that her officials were looking favourably on getting the A160 dualled. Obviously, as the whole Humber estuary is a global gateway, particularly Immingham, I would certainly appreciate an update from her about the funding for that work.

If that work can be completed, it will have a knock-on effect on the town of Immingham itself, because heavy goods vehicles regularly go through the centre of the town at the moment. If we can sort out the transport infrastructure in the area, particularly the roads, that will take such heavy traffic out of the town and that can only be good for Immingham.

I would like to talk about the Humber bridge, a subject that was raised earlier by the hon. Member for Beverley and Holderness. If he cares to go to my website and read the section called "The River Humber - the curse of the crossing", I think that he will find out some more facts about the subject. The high cost of getting across the Humber has led to complaints as far back as I could go. In 1316, people were complaining about the halfpenny charge for pedestrians and the one penny charge for equestrians on the Barton to Hull

ferry. Daniel Defoe was not terribly fond of crossing the Humber either and referred to it as

"an old fashioned dangerous passage".

He went on to describe

"a ferry over the Humber to Hull in an open boat, in which we had about fifteen horse, and ten or twelve cows mingled with about seventeen or eighteen passengers, we were about four hours tossed about in the Humber before we could get into Hull."

So there have been problems getting across the Humber for quite some time.

The story that I really like is that of a bit of a fight about the ferry between Jimmy Acland, who was from Hull, and the Hull Corporation in 1831. Again, that conflict related to the cost of crossing the Humber. The Hull Corporation kept bunging up the charges on the ferry to cross the Humber and Jimmy Acland, who was the editor of the Hull-based *Portfolio* newspaper, started a campaign against the high ferry charges, to such an extent that he purchased a boat. He called his boat "The Public Opinion" and it was up against the Hull Corporation's boat, which was called "The Royal Charter".

Both boats competed with each other. Jimmy Acland went back in time, as it were, and charged one penny, which was the 1316 charge, for anyone who wanted to cross the Humber. That led to fights between the two boats.

Mr. Truswell: It was a ferry war.

Shona McIsaac: It certainly was a ferry war. People would try and cut the moorings of the rival boat and local thugs would try and block people from getting on to the ferries. All that, and many other wonderful tales about crossing the Humber, can be found in that section of my website.

To bring matters more up to date, to be fair to the Government they have made some progress. Going back to shortly after the 1997 election, following representations from all MPs in the area—those representing the south bank of the Humber and the north bank—the Government wrote off about £64 million of the debt that had been built up by the Humber Bridge Board. Another £16 million has been written off recently, and there have been commensurate reductions in the interest rates. I welcome those moves.

I met my right hon. Friend the Minister recently to discuss the issue of tolls, because I believe that tolls are a thorn in the side of economic development in the area. Tolls act as a barrier, rather than linking both sides of the Humber. We have these bustling, busy ports and industrial development on both sides of the river, but the high tolls to cross the river act as a barrier. Recently, North Lincolnshire council commissioned a report to examine the effect of the tolls on economic development, and that report is welcome. I hope that the Minister will look at what it says.

Continuing with the tolls issue, what really upset local people is that the reorganisation of cancer services in the area meant that some of my constituents and other people on the south bank of the Humber had to travel north for cancer treatment. If someone is having cancer treatment every day, or every other day, and they are paying the toll, the parking fees and other transport costs if they are driving, because there is only one bus linking Grimsby and Cleethorpes to Hull, it becomes very costly. Consequently, many of us in the area have been campaigning for some sort of concession.

I must say that we have found the Humber Bridge Board to be not very receptive to that idea of a concession, to such an extent that my hon. Friend the Member for Brigg and Goole tried to introduce a private Member's Bill on the subject. When he became aware that he could not follow that through, I introduced a private Member's Bill and I know that the hon. Member for Beverley and Holderness was a co-sponsor. All parties backed the Bill as a way of trying to find a solution to the problem. I hope that, in her roles as a regional Minister and a transport Minister and also with her background at the Department of Health, the Minister will understand that particular problem and do all that she can to try to bring all the disparate groups together to find a solution to it.

Very quickly, I would like to talk about an issue that is related to access to hospital treatment, which is bus passes for pensioners. I raised the issue at Prime Minister's Question Time last week, saying that I have one local authority that imposes no restrictions on travel for pensioners; pensioners would be able to use their passes all day, including before 9.30 am. The neighbouring authority is imposing restrictions and it will not allow people to travel before 9.30 am. As I have said before, there is only one direct bus link from Grimsby to Hull. So, for people going to hospital, that is a very serious issue. Pensioners from Immingham who have to get on the bus before 9.30 to access hospital treatment have to pay full fare, but pensioners who live a mile down the road, across the border between the two authorities, in villages such as Killingholme, get to travel free.

We must resolve that issue, because it is almost creating apartheid in terms of access to travel in our area. I hope that the Minister will be able to do something about that, because I have looked at the figures, and North East Lincolnshire has had sufficient funding to allow pensioners to travel free before 9.30 am. I would therefore appreciate it if she could have a word with the council.

[JOHN BERCOW *in the Chair*]

12 noon

Mark Hunter (Cheadle) (LD): It is a pleasure to have the opportunity to contribute to a debate under your chairmanship, Mr. Bercow, and I congratulate the hon. Member for Beverley and Holderness (Mr. Stuart) on securing it.

For reasons of time, I shall restrict my remarks largely to public transport matters. Let me say at the start, however, that investment in transport infrastructure is self-evidently vital to the economic growth of any region, but particularly those regions that are some distance from the capital. The further away they are from London, the more important good transport links with the capital and the rest of the country become. We rely on good transport links not only to move goods around, but to create trade links with the rest of the UK and the wider world, allow workers to get to their jobs, bring together rural and urban areas, access shops and culture and allow children to get to school. The list is endless, but the point that I seek to make is simple: good transport links are essential to our everyday lives.

[Mark Hunter]

Transport is the backbone of our economy, and it is a generally accepted fact that the state of any area's transport network relates directly to its economic and social success. Many hon. Members have referred to IPPR North's recent paper on the subject, which argued convincingly that the lack of investment and improvement in transport—particularly public transport—in northern England is one of the biggest checks on the region's economic growth. Like many others, including Yorkshire Forward and just about every hon. Member who has contributed to the debate, IPPR North remains concerned about the level of investment in the region's transport.

My hon. Friend the Member for Leeds, North-West (Greg Mulholland) referred to the figures supplied to us by PTEG, which show that Yorkshire and Humber received only a third of the public expenditure that London received in 2006-07. My region, the north-west, was not much better off, receiving £276 a head, which is less than the average for England, at £305 a head, and considerably less than London's £614 a head. Of course, the difference in investment between London and the north will not come as a surprise to any of us, and we will all have argued in relation to our own constituencies that funding seems all too often to be skewed in favour of the south. Obviously, we understand that London is the capital and therefore a special case, and all that I am arguing is that the north also deserves a transport system that can support its economic growth and its citizens' social needs. Is the Minister therefore considering reviewing the funding allocations for transport to ensure that all regions get their fair share?

The lack of investment in the region's public transport is particularly worrying. I have listened to contributions from hon. Members both sides of the Chamber, and it seems to be universally accepted that significant investment must be made in the region's train services. The IPPR North report stated:

> "It is widely recognised that the main rail links between the North and South of England are not likely to be adequate to support sustainable growth over the coming decades"

and that rail links in the north are not "fit for purpose". As I mentioned in questions to the Secretary of State for Transport just last week, it is a fact that, on too many train journeys, people are left without a seat, certainly in the Yorkshire and Humber region. As in the north-west, overcrowding is a significant problem on trains. According to PTEG, and as we have heard, a quarter of all local train arrivals at Leeds in the morning peak period have passenger loadings in excess of 135 per cent. of seated capacity.

If we want to encourage more people on to public transport, it is pretty obvious that we desperately need extra capacity, because no one will want to travel by train if they know in advance that the likelihood of getting a seat is remote. Therefore, there needs to be an urgent assessment of rail services in the north and of the introduction of high-speed rail services to London. That should be looked at as soon as possible, and I ask the Minister to address that question specifically in her response and to tell us if and when a proper cost-benefit analysis of such schemes will take place.

More specifically, I understand that First Group, which runs the trans-Pennine service, is in negotiations with the Government to add a fourth carriage to its trains to increase capacity by 20 per cent. and that that would be in exchange for an extension to its franchise. I also understand that it is looking to buy new rolling stock, but that it needs the go-ahead from the Government before it does so, so that the stock will continue to be used if the franchise changes hands. Will the Minister update us on what stage the negotiations with First Group have reached and give us an assurance that the Government are committed to working with First Group to ensure that capacity is increased on the trans-Pennine service?

One problem with transport is that it is nearly always more efficient in cost-benefit terms to create services in city regions than in rural ones. In particular, bus services for countryside communities often suffer first when funding is tight, because they do not make as much money as urban transport services tend to. There are not many rural areas that will say that their bus services have not been reduced in recent years. That is certainly no less true of the Yorkshire and Humber region, and we must ensure that rural bus services in the region are protected to reduce social exclusion.

One possible way of increasing bus passenger numbers—I say this in reference to the point made by the hon. Member for Cleethorpes (Shona McIsaac)—would be to introduce a system that allowed passengers to travel more easily between different areas. We could have a cross-regional smartcard system similar to the Oyster card in London to encourage more people to use buses and, I hope, ensure that more of the region's bus services remained sustainable. Perhaps the Minister could also touch on that.

Obviously, we need to keep in mind at all times the need to ensure that all forms of transport are sustainable and to help move England towards a carbon-neutral future. As we know, transport contributes highly to greenhouse gas emissions, and we must ensure that improvements and extensions are not accomplished at the expense of the environment.

The transport system in the Yorkshire and Humber region obviously needs significantly increased investment to support economic growth, reduce social exclusion and improve environmental sustainability. With a population of 5 million, the region is a vibrant, successful and hugely important part of the UK, but it deserves better. I very much hope that the Minister is listening to the concerns of the region's residents, as they have been expressed today, and I look forward to her response.

12.8 pm

Mr. Robert Goodwill (Scarborough and Whitby) (Con): I, too, congratulate my hon. Friend the Member for Beverley and Holderness (Mr. Stuart) on securing this debate on transport spending in Yorkshire and north Lincolnshire.

Shona McIsaac: The hon. Gentleman mentioned north Lincolnshire, but both north Lincolnshire and north-east Lincolnshire are on the south bank of the Humber, and it would be unfair to leave out north-east Lincolnshire.

Mr. Goodwill: I stand corrected.

The picture that my hon. Friend painted has certainly been reflected in contributions from all parts of the region. The picture of under-investment over a long

period, with our region being bottom of the list, seems to have hit home. My hon. Friend specifically mentioned the A1079, which I drove down last Friday, and the road is a story of congestion and carnage.

I was very pleased when the right hon. Lady was appointed Minister for the region. I am not sure what influence she will have over other Ministers in the areas of health and education, but when it comes to transport, she will be able to lobby herself. I hope that she will quickly respond to many of the concerns that have been expressed. In particular, I hope that she responds to the "Road to Ruin" campaign run by the *Yorkshire Post*, which has highlighted some of the points very clearly.

The figures speak for themselves. In 2006-07, per capita spending in our region was £215. In London, the figure was £614, and for the UK as a whole, £319. As the hon. Member for Pudsey (Mr. Truswell) said, we should have a fairer share of the cake. How can the Minister justify the continuation of this sorry state of affairs? She cannot pass the buck because she has a dual ministerial responsibility.

Mention has been made of the IPPR report. On 28 February, Howard Reed, its chief economist, wrote that such effects could be transient given the existence of large projects in the pipeline to widen the M1 and the M62. However, last week, along with the announcement that the hard-shoulder running pilot on the M42 was to be extended, came the announcement that the widening of the M6, M62 and M1 was to be scrapped, which many people did not notice. Will the Minister assure us that such schemes will still go ahead? At the Dispatch Box last week, the Secretary of State was less than clear about those other motorways.

As shadow spokesman for Leeds, I do not get such a big bit of the region to represent. I am particularly concerned about the transport problems in Leeds. Leeds is the largest city in Europe without a light rail or metro system. For example, Frankfurt has a population of 650,000, compared with 725,000 for Leeds. Yet Frankfurt has 63 km of tramway and 56 km of underground. Even without additional unplanned intervention and investment, the Leeds city region economy is forecast to create 65,300 net additional jobs, and for gross value added to increase to £53.3 billion by 2015. The promise of a super tram in Leeds was axed by this Government. Some £39 million, which had been spent planning for that scheme, has been wasted. That is money down the drain. Leeds is now considering a trolley bus scheme—a second best scheme—which will share the same infrastructure as the cars and buses.

Hugh Bayley: The hon. Gentleman speaks on behalf of his party. If his party were to form a Government, would it increase investment in Yorkshire over and above the Government's plans?

Mr. Goodwill: When I was invited by the leader of my party to take responsibility for both Leeds and transport, he made it clear that he wanted to see the north get a fairer share of the cake. I suspect that the overall transport spend will depend on the mess that we are left with when we once again form a Government. No doubt we will learn more about spending during the Budget speech tomorrow. I am also concerned that many of the projects that the Government have encouraged local authorities to take up through the transport innovation fund often have strings attached. I am concerned that in order to access funding, congestion charging schemes may be forced on councils and communities against their wishes.

Last Friday, I was in the city of Hull, in the constituency of the right hon. Member for Kingston upon Hull, East (Mr. Prescott). I had been invited there by businesses and local councillors to see Castle street, which is at the end of the A63. I was told that Hull had a booming economy, with its new marina development, The Deep, which is a fantastic tourist development, a new freight terminal coming on stream that will increase the capacity of the port by 1.2 million tonnes, and the Princes Quay shopping centre. We have 9,000 jobs in that area involved in making caravans and mobile homes. Some 1.2 million passengers pass through the port of Hull on to P&O ferries. I was told that if one wishes to make a journey with an HGV from Liverpool to Leningrad, there are only five roundabouts on the route, and they are all in the middle of Hull. May I invite the Minister to visit Hull—

The Minister of State, Department for Transport (Ms Rosie Winterton): I have been there already.

Mr. Goodwill: She has been already. Perhaps she can look at that particular problem because it is a regional priority. I was very impressed to see that Hull was catching up with cities such as Leeds and Newcastle. For far too long, Hull has been the poor relation. I am pleased to see that it is catching up, but it needs infrastructure investment.

I could not speak on this subject without mentioning my own constituency and the A64. A number of employers constantly lobby me about the lack of investment on that road. Recently, we had some very bad news. The printing company, Polestar Greaves, which had recently secured European funding for a new plant in Sheffield at the heart of the motorway network, closed its plants in Scarborough. One of the reasons it cited was the problem getting heavy print in and out of Scarborough.

As for rail, we have an overall problem with overcrowding. Overcrowding levels, to which the hon. Member for Leeds, North-West (Greg Mulholland) alluded, are worse in Yorkshire than the south-east. The rate of passengers above capacity in London and the south-east in the morning peak is 5 per cent. In West Yorkshire, it is 9 per cent. in the morning peak and 5.3 per cent. in the evening. So we need to look at our rail infrastructure. All too often, Ministers talk about investment when they mean investment and spending. It is important to make a clear distinction between subsidies paid to railway companies and investment in new infrastructure and improvements. I met the boss of Northern Rail, who told me that on her entire network, which covers much of our region, for every pound that she gets in the fare box, she gets another 80p in subsidy. It is important that we see what we are getting in addition to those subsidies that will contribute to an improvement in our rail system.

I pay tribute to Hull Trains which, as an open-access operator, is providing an excellent service from the constituency of my hon. Friend the Member for Beverley and Holderness (Mr. Stuart). Also, dare I mention Grand Central, the new open-access operator that runs from Sunderland, through York to King's Cross, which

[Mr. Goodwill]

offers a non-stop service four times a day from York. It offers passengers a 50 per cent. refund on the price of their ticket if they cannot get a seat on the train. I have been on that train a number of times; there is not much chance of not getting a seat at the moment. As word spreads on those good deals, however, that may change. It is a very good initiative and it would be interesting to see whether other rail operators follow suit.

Last April, the leader of my party, my right hon. Friend the Member for Witney (Mr. Cameron), was on the record saying that there must be a shift in focus on transport spending from the south to the north and plans to extend rail. My hon. Friends the Members for Wimbledon (Stephen Hammond) and for Chipping Barnet (Mrs. Villiers) are undertaking a feasibility study with industry professionals of the possibility of building a high-speed rail network in the UK. Liverpool, Manchester and Leeds are the cities in line to be connected into that network, as well as other north-south options.

This Labour Government have seen many lost opportunities. When they came to power, they followed the spending commitment in total, but they axed the road programme for three years and diverted that money to other objectives. Wherever we are now, we are three years behind where we could have been. They squandered the economic legacy of the last Conservative Government. As we will hear tomorrow in the Budget, the party is over and the future is not so "Rosie" in regard to additional money being available. We will be seeing additional cuts all over the place. The problem with transport is that it is easy to cut because one only has to nudge that spending into the next year's budget. Labour has dominated much of this region over the past 10 years, so why have we lost out so much? The "Road to Ruin" campaign by the *Yorkshire Post* has highlighted that. Could it be that the lack of regional vision and commitment will put the Government on the road to electoral ruin in 2009 or 2010?

12.19 pm

The Minister of State, Department for Transport (Ms Rosie Winterton): It is a great pleasure to serve under your chairmanship, Mr. Bercow. I congratulate the hon. Member for Beverley and Holderness (Mr. Stuart) on securing this debate and on the way in which he conducted his opening remarks. I can assure him and other hon. Members who have contributed, especially the hon. Member for Scarborough and Whitby (Mr. Goodwill), that I am aware of the level of interest in transport in Yorkshire and the Humber, not least because of my role as a regional Minister. Transport and skills are two of our highest priorities for ensuring the economic competitiveness of our region.

I want to emphasise what the Government have done to increase investment in transport in our region—a subject on which the hon. Member for Cheadle (Mark Hunter) asked me to touch. In fact, spending on road and rail has nearly doubled from about £330 million in 2001 to almost £600 million in 2007-08. At the end of last year, we announced £469 million-worth of funding over the next three years for local authorities across the Yorkshire and Humber region to invest in highway maintenance and small schemes, such as public transport projects and town centre improvements. That represents a total allocation for 2010-11 that is 12 per cent. higher than current levels. In July 2006, we announced plans to fund 31 major road and public transport schemes in Yorkshire and the Humber from the £927 million allocated over the next 10 years in response to regional advice about priorities in the region.

I must challenge very clearly some of the points made today about Yorkshire and the Humber being at the bottom of the list of spending priorities. Total funding per head in Yorkshire and the Humber, when we combine the local transport plans and the regional funding and road safety allocations, is the third highest of all the regions. The hon. Members for Beverley and Holderness and for Leeds, North-West (Greg Mulholland) referred to the A1079 and the Leeds supertram respectively, funding for both of which would have to come out of those allocations. Opposition Members are wrong about Yorkshire and the Humber being at the bottom of the scale for allocations for those schemes. Spending per head and the allocations in our region, from which funding for those schemes would come, are the third highest of all the regions.

It is important to remember that the region has a very clear way of deciding its priorities. We devolved to the regional assembly an allocation of £927 million of regional funding, so that it could decide its own priorities which, after much hard work, it did. However, owing to ballooning costs of the supertram, it became very difficult to sustain that project through the regional funding allocation. Funding for the A1079 also comes from that regional pot. The priorities are being looked at to ensure that they are right. Furthermore, headroom for additional spending is being considered.

It was worrying that the Leader of the Opposition went to Yorkshire and said that before the next election he would produce a list of bypasses and road schemes for Yorkshire that might well completely overturn all the decisions on priorities made through our regional assembly and transport board. Where will that leave many of the proposed schemes, on which much work has been done? Opposition Members ought to think about that. In his rather mean-minded speech, the hon. Member for Leeds, North-West asked me three questions, but I ask three of him: does he say that the Leeds supertram will go ahead? What cost is he prepared to pay for it, and what other schemes would he sacrifice in the region to pay for it?

Mr. Graham Stuart: I am not quite clear, but I think that the Minister suggested that we are all mistaken in thinking that Yorkshire and the Humber has received the lowest transport spending over the past five years. Will she confirm whether cumulatively we have had less spent per head than any other region over the past five years? If that is not the case, I must have looked at the wrong tables, and the whole premise of this debate is unfounded. Given that I have taken my numbers from Department for Transport figures, I would like her to clarify the position.

Ms Winterton: I know where the hon. Gentleman got his figures from, but that expenditure includes projects such as the channel tunnel rail link, the King's Cross refurbishment and Crossrail. If we include major national schemes, it is true that there has been greater

spending in London and the south-east. However, we must consider the benefits that they bring to the national economy and the fact that our constituents will travel down to London and make use of things such as the channel tunnel rail link and refurbishments of stations such as King's Cross and St. Pancras. That is where the distortion occurs. As I have said, all the schemes to which he has pointed, particularly for the A1079, come out of the regional funding allocations. When those are combined, Yorkshire and the Humber is third in the list, not at the bottom.

I want to address the very positive speech made by my hon. Friend the Member for Pudsey (Mr. Truswell), who encapsulated what we need to do in the region, which is to consider strategic plans and to ask what changes we need to make in the Leeds city region—for example, those changes that will make a real difference to the economy. His is absolutely the right approach. My hon. Friends the Members for Sheffield, Hillsborough (Ms Smith) and for Cleethorpes (Shona McIsaac) discussed concessionary fare schemes, the importance of ensuring that they work and that councils do not use them as an excuse to cut services.

My hon. Friend the Member for Cleethorpes and the hon. Member for Beverley and Holderness talked about the Humber bridge. Both quite rightly said that we have made attempts to restructure the debt. My hon. Friend made a particular point about health, which I hope to work on with the Minister of State, Department of Health, my hon. Friend the Member for Exeter (Mr. Bradshaw), who happens to be here, which is very handy. I hope that we can look at some of the challenges facing cancer services in the area that she mentioned. I shall come back to her on that.

My hon. Friend the Member for City of York (Hugh Bayley) talked about the positive approach that he and partners in York are taking to look at the challenges facing development in the centre. It was good to see the meeting that he organised to look at that positive way forward. Again, that needs to go to the regional transport board, which will consider whether it is a priority in the area for making the economic improvements that are necessary. He referred to the changes that we discussed yesterday and the funding that we have allocated, from which I am glad that York will benefit. He was absolutely right to ask what technology could be used to enhance our transport systems.

We are all aware of the importance of assessing demand more easily, considering alternative traffic routes—that is the important point about the route in Leeds—and managing congestion more effectively. That takes me back to points made by the hon. Members for Cheadle and for Scarborough and Whitby: the important question of whether widening roads or hard shoulder running would be most effective in the region. I can assure hon. Members that I am very committed to ensuring that Yorkshire and the Humber has a good transport system. We are investing more money. We need to recognise that and take the region forward.

Nursing & Midwifery Council

12.29 pm

Mr. Jim Devine (Livingston) (Lab): It is a pleasure to secure my first Adjournment debate under your chairmanship, Mr. Bercow. Your reputation for fairness, modesty and humility precedes you, and I know that you will exhibit the same during the debate.

Mr. David Anderson (Blaydon) (Lab): It is matched only by you.

Mr. Devine: Matched only by myself.

The Nursing & Midwifery Council is a public body that is also registered as a charity. It regulates almost 700,000 nurses and midwives. In line with its principle of self-regulation, it is funded by those whom it regulates. Nurses and midwives currently pay a mandatory annual fee of £76. That has increased by 77 per cent. since 2007. I will return to that point.

Members of the NMC's council are responsible for its governance and are charity trustees. They have a general duty of care to ensure that the organisation is properly run, that what it does accords with its purpose and that action is not taken beyond its constitution. There is a particular duty to ensure that its moneys are used only for legitimate purposes. As trustees of a charity, they must ensure that there is no misuse of funds, for example, through supporting activities that are outside the body's defined activities or by incurring excessive costs that are not commensurate with the scale and needs of the fulfilment of its objectives.

As a self-governing regulator, whose purposes are public protection and the public interest, the NMC should be run with integrity, competence and transparency. Unfortunately, that appears not to be the case. It appears to be a fundamentally dysfunctional organisation where the priority of those in control is to maintain the status quo at the expense of proper transparency and good governance. Its funds are being misspent and staff time is being misused. Poor financial management has resulted in nurses and midwives, who are already under financial pressure, being faced with nearly a doubling of their annual fees, which they must pay each year to be licensed to practise. Trustees are systematically prevented from doing what they are supposed to do. There appears to be an ingrained culture of bullying and racism as a means of preventing good governance in general, and in particular, any proper examination of what is going on. I will deal with those very serious allegations in detail.

Sadly, since this matter has come into the public domain, there has been an attempt by the NMC to portray me as a man running a personal vendetta. That is not the case. I trained as a nurse and represented nurses as a lay and full-time officer for more years than I care to remember. I believe that I can recognise a serious issue when it is brought to my attention. The lack of governance at the NMC is a very serious issue that we, as parliamentarians, cannot ignore.

I have six statements from former members of the council and its staff and one from a trade union representative who represented a staff member at the NMC. Those individuals live throughout the United Kingdom and I understand that other hon. Members have been approached by constituents with similar issues.

Dr. Richard Taylor (Wyre Forest) (Ind): I, too, have been approached with very serious allegations about probity and conduct. Whistleblowers are in an awfully difficult position. The person who approached me asked who regulates the regulator, because they have nobody to complain to.

Mr. Devine: The hon. Gentleman raises a very interesting point, which I will hopefully return to at the end of my contribution.

Allow me to quote the statement from the trade union representative who represented a member of staff at the NMC:

"My enquiry suggests that the organisation is dysfunctional and out of control. It is not just the staff but council members are also being harassed and bullied, contrary to the Nolan principles."

John Smith (Vale of Glamorgan) (Lab): I congratulate my hon. Friend on taking up this issue. Does he agree that it is completely and utterly unacceptable that any member of a regulatory council is afraid to speak out and be identified, let alone a representative who is one of the most experienced and respected members of the profession in this country?

Mr. Devine: I am grateful to my hon. Friend for that intervention and I will deal with his point at the end of my contribution.

The trade union representative went on to say:

"My member has also, as I have seen, experienced a lack of due process and investigations and equally annoying a failure of natural justice. This has been compounded by a perverse use of individuals under a grievance investigation to carry out investigations into staff who are the grievance source."

That is absolutely unprecedented.

A former member wrote to me, saying:

"We are hoping to make a contribution to a body run with integrity and competence while we would have confidence in its leadership. Sadly this is not the case. The NMC is a fundamentally dysfunctional organisation where the priority is on maintaining the status quo at the expense of proper transparency and integrity, where funds are being misspent and where trustees are being systematically prevented from doing what they are supposed to do."

Ann McKechin (Glasgow, North) (Lab): Like other hon. Members who have contributed, I have a constituent who is a council board member, and they have expressed similar concerns about the organisation. Does my hon. Friend agree that the fact that there is no agreed procedure for handling complaints at the NMC is a very serious matter that should be rectified immediately?

Mr. Devine: My hon. Friend is exactly right. It is an issue that I hope to touch on in my contribution.

Another council member wrote:

"I am aware that there are other past council members as well as current ones who feel as I do about the organisation. They would be prepared to share these concerns with you but the current members especially are extremely concerned that their names are not divulged to the NMC because of a fear of incrimination, bullying and harassment. It is essential therefore that you provide a guarantee of confidentiality at the outset."

Another former member contacted me and stated:

"I also have lingering concerns from the old council about the way a particular member of staff had been eased out of the NMC. I have signed a confidentiality agreement about that matter and so am not at liberty to say any more than this. That was the context to my own resignation."

Another former council member wrote:

"My concerns about the NMC are a culture of institutional bullying dominated by a few individuals; a failure to respect all views even if they are in the minority; over use of outside legal advice, some of it conflicting, and; inappropriate use of registration fees."

A former staff member wrote:

"I was very happy when I joined the organisation, loved the job and the working environment. Things changed when"

the new chief executive

"arrived and I was very soon out of favour. I was very happy with the idea of change but the changes made to the culture of the organisation resulted in a very unpleasant, punitive and negative working environment lacking transparency. Sarah held what she termed 'soft chair conversations' with staff who were not in favour. This involved me being given at one point what she termed a bollocking."

The national committee of the Community Practitioners and Health Visitors Association passed a vote of no confidence in the ability of the NMC to protect the public. All those people cannot be wrong, and hon. Members throughout the United Kingdom have expressed similar concerns from their constituents. Those individuals are strong people and leaders in their chosen career field, yet every one of them, whether a past or present member, is frightened to have their name mentioned, even in this privileged place. I can think of no better proof that a culture of bullying prevails in the NMC.

The culture at the NMC is reflected by the fact that some 20 complaints and counter-complaints have been filed in the past year against eight current and two previous members of the council, and I understand that there are more complaints in the pipeline. Given that there are only 23 council members, that is completely disproportionate. The NMC's expenditure on outside legal advice is also excessive. Legal fees are paid not to address the organisation's proper purposes, but to deal with, and often to create and pursue, such spurious complaints. In 2007, legal expenditure on governance issues and the costs of investigating complaints in relation to council members seeking transparency and satisfactory explanations were well over £120,000.

The expenditure continues, and it is now significantly higher. The money is nurses' and midwives' money, paid in the name of public protection, and its misuse raises serious issues for public protection. Costs as high as £250,000 to £300,000 equate to the annual registration fees of 3,200 to nearly 4,000 nurses. The NMC's reaction the first time that I raised the matter in the House was to seek legal advice. It is a bizarre organisation.

The concern is not only that money is being spent on complaints, bullying and so on but that staff and council members' time is dominated by those matters rather than by the organisation's proper purposes. Staff whose faces do not fit are subject to disciplinary action, paid off and required to sign confidentiality agreements. I have been told of two recent such payments of £100,000. The absence of transparency, responsiveness and integrity in the organisation means that it is not possible to hold the chief executive to account and that the governing body is not given the information that it needs for effective decision making.

I understand that the NMC's approach to governance is also very worrying. It is not unusual for the decisions of the council and its committees to be ignored or circumvented, and standing orders are routinely put to

one side to suit the position of the chief executive and prevent the council's consideration of legitimate business. In a formal note, the chair of the council's audit committee suggested that certain council members should be barred from participating in a council debate on the basis of their past voting patterns. I find that unbelievable. When two respected lay members of the council resigned last year, the Appointments Commission was told about it and invited to intervene, but did absolutely nothing. It went ahead with replacing the two people who had resigned, despite their suggestion that it should not do so until the reasons for their resignation had been properly investigated.

We have moved on, rightly, from a situation in which professions are allowed to regulate in their own self-interest. If self-regulation is to be sustainable, it must involve accountability and the highest possible standards of ethical behaviour and competence. An important point has been made by hon. Members about the position of non-executive trustees in bodies such as the NMC. Trustees are protected against discrimination only. Because they are not employees, no other legislative protection or redress is available to them, and they can be very exposed. Unlike employees, trustees and public office holders who blow the whistle have no legal protection.

The NMC was set up to protect patients, raise standards in the profession and act in the public interest. Unfortunately, it is acting only for a small group of staff. Our first priority must be to rebuild the NMC on a sound footing, but it is equally important to look to the future. The House, the nursing and midwifery professions, other professions and the public need assurances that lessons will be learned from the NMC debacle. I say in a comradely way to the Minister that, after parliamentarians from throughout the United Kingdom have expressed concern about the workings of an organisation that regulates 700,000 nurses, it is not good enough to say that the matter has nothing to do with Parliament, and I hope that he will not go down that road.

12.45 pm

The Minister of State, Department of Health (Mr. Ben Bradshaw): I congratulate my hon. Friend the Member for Livingston (Mr. Devine) on raising this important and worrying issue for discussion. I know that he has much personal experience in such matters from his early years as a psychiatric nurse and his later trade union career with the Confederation of Health Service Employees and then Unison. I take this opportunity to reassure him and the other hon. Members present that the Government take the matters that he has brought before us extremely seriously. The governance of the Nursing & Midwifery Council is of great importance, as is the governance of all health professional regulators.

The majority of concerns raised by my hon. Friend relate to the internal proceedings and management of the NMC, which has been charged with operating in an atmosphere of bullying, harassment and institutionalised racism. The NMC is, as he acknowledges, an independent professional regulatory body, and the Government therefore have no power to intervene directly in its internal operations. However, the situation has been causing serious concern for some time, and I know that he does not make such charges lightly. Although I am sure that he will accept that it would not be right, even if it were possible, for me to judge or pre-judge goings-on at the NMC, as well as that some would challenge the allegations that he has made today, the Government will do what we can to help the organisation to get out of the problems that it faces and rebuild its members' confidence.

My hon. Friend will be aware that the NMC itself has instigated an inquiry into the criticisms that he outlined. As I understand it, that will include asking an independent, external party to investigate the charge of institutional racism. I understand that the NMC has invited him to meet its members, visit the organisation and discuss his concerns. However, given the seriousness of the breakdown of relationships within the NMC and the level of concern expressed by hon. Members, an internal inquiry is not likely to satisfy the NMC's critics. That is why I will write today to the Council for Healthcare Regulatory Excellence and the Charity Commission to encourage them to play a role in resolving the long-standing problems at the NMC.

The Council for Healthcare Regulatory Excellence is the independent umbrella body that oversees the operation of the various health professions' regulatory bodies. It is already undertaking its annual performance reviews of all the regulators, the results of which are due to be published in the summer, but because of the seriousness of the situation at the NMC, I will ask the CHRE if it is possible to expedite its review of that organisation, including addressing the crucial question whether the organisation is fulfilling its statutory functions. I understand that a number of people involved in the NMC's internal rows have asked the Charity Commission to intervene. I welcome that move, and have written today to the Charity Commission to say so.

It important to me as well as to thousands of nurses and midwives that the workings of the NMC and all regulators should be open and transparent. That is crucial to maintaining patient and public confidence. If neither the NMC's internal processes nor the measures that I have just outlined are sufficient to resolve the problems at the council, the Government would not rule out formally asking the Privy Council to investigate. However, I am sure that my hon. Friend appreciates that that would be a nuclear option.

In the longer term, the Government are taking a number of other measures. My hon. Friend will be aware of the passage through Parliament of the Health and Social Care Bill; indeed, it was on Report that he raised with me his concerns about the NMC. The Bill is part of a programme of legislation on matters relating to professional regulation that the Government introduced after the publication of our White Paper "Trust, Assurance and Safety" in February last year.

The Bill introduces a number of reforms regarding the governance of regulatory bodies and the Council for Healthcare Regulatory Excellence. As part of the new governance arrangements that we will shortly put before Parliament in a section 60 order, under the Health Act 1999, greater transparency will be introduced to the process of disciplining members. Each council will have a constitution order, made by the Privy Council, that will set out the grounds for removing council members from office. Under the proposals, which the Department of Health is in the process of sharing informally with the regulators, council members and employees will be given a statutory right to notify the

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Privy Council if they consider that a council member should be removed from office. Responsibility for considering the matter will then be delegated by the Privy Council to the independent Appointments Commission.

Together, the Bill and the section 60 order will meet the commitment that we made in the White Paper to reform completely the governance of regulatory bodies by introducing smaller, more board-like councils which are fully appointed by the independent appointments commissioner, and which operate in a more strategic manner. Those changes will allow councils to set the strategic direction of the regulator and to hold the executive properly to account for the day-to-day running of the organisation. That should help to avoid some of the long-standing problems on the board of the NMC.

The Bill amends the governance of the Council for Healthcare Regulatory Excellence, giving it a new primary objective and enhancing its powers to look at regulators' functions and processes. The Government are also taking new powers to direct the CHRE to investigate particular concerns or issues that arise. Those powers would have been useful in preventing the breakdown of the NMC's functionality. The changes will ensure that the CHRE acts as a strong, independent voice for patients and the public. Its board members will no longer consist of the presidents of the regulatory bodies, but of independent people approved by the Appointments Commission.

As a result of the concerns raised today, I shall ask the CHRE to advise on what further steps could be taken, under secondary legislation relating to the regulators, to enhance confidence in this area. I thank my hon. Friend again for raising his concerns, and I hope he accepts that within the limits of our powers of intervention, the Government are doing what we can to help the NMC to address serious, long-standing problems. The changes that we are making through the Bill should help to ensure that such problems cannot arise in future.

John Bercow (in the Chair): I am grateful to the Minister of State for his contribution.

As both the right hon. Member whose debate it is and the Minister who is to respond are present, we can proceed to the next debate.

East Midlands Trains

12.52 pm

Mr. Patrick McLoughlin (West Derbyshire) (Con): I am grateful to you for that, Mr. Bercow, and to the Minister for his early attendance. I shall start by giving some details about East Midlands Trains and train services in my constituency. On Saturday, I had the great privilege of attending the reopening of Idridgehay station. It has been reopened by the Ecclesbourne Valley Railway company, which plans to reopen the railway line down the Ecclesbourne valley to Duffield. The new train service will give people an important link from Wirksworth to Duffield, and will enable them to take advantage of East Midlands Trains services into Derby, from where they can connect to London.

I was pleased that the station reopened on Saturday. The opening was the culmination of a huge amount of work by a private company to restore the railway line, and was the first time that a passenger train had run on that line since 1947, although I do not blame any Governments for that. I compliment people at the company, and volunteers, for their dedication and for providing a good service. When the line is fully open in 2010, it will be very useful to the people who live in the area.

There have been some remarkable achievements with trains and train services in the midlands. Ten years ago, St. Pancras station was the worst station in London to come into. It was dark and desolate, and had few services. Today, it is without doubt the best station in London. It reopened recently and is now the hub for trains going to the continent, as it is the home base for Eurostar. That is a tremendous achievement, and anyone who has not visited it should go to see its tremendous refurbishment and the reawakening of the railway age at St. Pancras. Those are some of the positive aspects of what is happening with the rail industry.

When the Government took the franchise away from Midland Mainline and awarded it to East Midlands Trains, I was encouraged by what East Midlands Trains said it was going to do. It set out its programme and options in a booklet for passengers, which included:

> "Faster journeys to Sheffield and Leicester from London as part of a new timetable being introduced in December 2008; Additional early morning train from Derby to cater for morning peak demand; A new daily direct service between London and Lincoln;"

and an hourly service between Nottingham and Matlock. I hope that the hourly service will coincide with connections, because the service from Matlock, which is a bit of distant cousin, currently arrives in Derby at times that are inconvenient for connections to London. That would make a huge difference to my constituency and to my constituents.

I want to talk specifically about an issue that I have raised in the House before: the poor deal that passengers get with Sunday services. Those services seem to have been almost forgotten, not necessarily by the train companies, but by Network Rail, which operates and makes decisions about repairs. I am concerned about its accountability, as it is not accountable to anyone but the Government, who therefore have total responsibility for its management and ownership. A few weeks ago, we had the ridiculous situation in which Network Rail was

fined for over-running works around Rugby, only to find that the fine would go back to the Treasury and would then have to be lent or given back to Network Rail.

There are constantly poorer services for Sunday travellers. This morning, I asked the managing director of East Midlands Trains whether he had the occupancy rates for Sunday services. He replied that it has only been running the service for four months, so it does not have those rates; the records that Midland Mainline held were not passed on. Anyone who travels on a Sunday will see that there is huge usage by the travelling public at weekends. That is one pattern of rail travel that might be changing. Perhaps, 20 years ago, trains were not used so often on Sundays, but that has changed. I am sorry that the records on customers and predicted customer bases, which were obviously there when Midland Mainline was operating services, have not been passed on to the new operator. Will the Minister address that point?

East Midlands Trains took over services just four months ago. When it was announced as the preferred operator, I thought that some of its plans were encouraging and exciting, and I was looking forward to seeing it operate. I accept that it has to operate according to Network Rail's decisions on track maintenance and negotiations, over a considerable period, about repairs. There is a planned investment programme, over the period of East Midlands Trains' franchise, of £90 million, which should lead to better services. At the moment, however, for more than three months, Sunday trains are to be diverted around Manton, after they leave Leicester, which will add an hour to the journey.

On Saturdays and Sundays, trains are operated with fewer members of staff on board, so that when something goes wrong, extra pressure is put on them. As far as they are concerned, that affects their communication with the travelling public. I want to be absolutely clear that I have nothing but praise for how the members of staff behaved and responded to passengers' concerns on the Sunday—I have to declare an interest—when I was on a train for almost six hours.

Leaflets have been published which say that I can go from Derby to Paris in six hours. Therefore, when on 2 March it took almost six hours to go from Derby to London, I was, shall we say, a little less than impressed with the service that I received. Of course, I am a Member of Parliament and can raise the matter here. I investigated the situation further and found that on that day there were 100 alterations to service, 13 train cancellations and 11 partial train cancellations. Many members of the travelling public were involved in the huge delays. It is how the problem came about that I now wish to discuss briefly.

As I said, due to essential track and ballast renewal work, there is at present a diversion between Market Harborough and Kettering. Trains are diverted around Manton. Delays were worsened because, apparently, there was a theft of some 60 m of cable on the line. I find this rather odd: this bit of line is not used very much in the week, but, on the day when all the trains were being diverted, there was a theft of cable.

Some cable was stolen, and that basically brought that part of the network to a standstill for quite some time, during which communications to the passengers as to what was happening were totally unsatisfactory. It may well have been that the people controlling were not in a position to know fully what was going on. The first time the train came to a standstill, we were told that there was a freight train in front of us. After 30 minutes, we were told that that there was a passenger train and a freight train in front of us. Then, after an hour, we were told that there were two passenger trains and a freight train in front of us. After about two hours, we started to move again after being literally completely stationary on a very crowded train on a Sunday afternoon.

There was a problem for the members of staff on that train, because they were not being informed as to what was happening. They could tell the travelling public only what they were being told. As I said earlier, I have nothing but praise for the way in which they tried to tell us what was going on, but the information was appalling.

When we finally arrived in London, I was told that the theft of the cable had occurred some time during the late morning. Surely, if that was the case, the delays were known about before people boarded the trains. I do not know whether there has been a full investigation into what exactly happened on that day, or whether a report is available about the incident, but there certainly should be.

It is in the Government's and everybody's interest that more use be made of trains. Passenger miles have been going up over a very long period. I could almost say that they have dramatically increased since privatisation. I see that the Secretary of State for Business, Enterprise and Regulatory Reform—I still regard the Department as Trade and Industry, but I realise that its name has changed—will be making an interesting speech today about the benefits of many more millionaires and entrepreneurs, and I welcome that sort of change, but I also say that the travelling public require a service that is satisfactory. The service that was given on that day by East Midlands Trains primarily, because it is the rail operator, but also by Network Rail, which stands back from this a little, was woefully inadequate.

I was asked by some of the passengers whether they would be entitled to a refund. The last time I was delayed on a train for more than an hour, I was able to get a refund. I was therefore surprised when I inquired whether passengers using the service would be entitled to a refund to be told that, because the delay was due to vandalism, it was outside what is laid out in the "National Rail Conditions of Carriage". I have obtained a copy of the rules and regulations. You will not be surprised to learn, Mr. Bercow, that they run to 27 pages. There are more get-out clauses in those 27 pages than could be written by anybody I have yet to come across in the legal profession. The number of get-out clauses is quite amazing, but one of them is vandalism, along with the weather, acts of God, fire, police, terrorism—in fact, I am starting to wonder what actually does come into the area where compensation can be given.

I was therefore encouraged to receive a letter from the managing director of EMT, Tim Shoveller, in which he stated:

"Although our current Passenger's Charter does not allow refunds for those delays which are beyond the control of the rail industry, for example trespass and vandalism, from 1 April 2009, we will be introducing a new scheme called 'Delay Repay'. The 'Delay Repay' scheme, which is part of our franchised commitments, will ensure refunds for passengers who are delayed, irrespective of the cause of the delay."

I very much welcome that, but I do not quite understand why the scheme cannot be operated until 1

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April 2009. Can the Minister reassure me that it could be introduced far sooner than that? Such a scheme would have served me and some of the complainants on the day that I described. If Network Rail and EMT thought that they would actually lose money, there would be more pressure on them to get repairs done more quickly. More pressure would be put on Network Rail to respond more quickly to such cases. I accept that they are beyond their control, and I understand that the theft of cable is a growing problem as far as the rail network is concerned. It is disturbing to all of us who use the train service.

My hon. Friend the Member for Wellingborough (Mr. Bone) has sought the Minister's and my permission to make a short contribution, so I shall try to sum up. Positive changes have been made to the rail network. Days such as the one that I described are rare, but they still cause huge inconvenience to the travelling public. I would like to be reassured that lessons will be learned from the incident, which I understand was quite large as far as the overall operation of the network is concerned, so that if anything like that happens again, passengers will be notified as soon as possible, perhaps before boarding.

Sir Peter Soulsby (Leicester, South) (Lab): I congratulate the right hon. Gentleman on securing a debate that is important to those of us who live along the main line. In his concluding remarks, would he welcome the moves that EMT is making to bring about joint control of the track with Network Rail? Perhaps when that has been achieved, the sort of communications difficulties that obviously occurred on that particular day might be avoided.

Mr. McLoughlin: I am grateful to the hon. Gentleman, who I know is a regular user of the service, as are many others who have constituencies along the line. I hope that that will make an improvement, but I was not encouraged by what I saw on that day and have since learned about the incident. I know that there is a move towards a joint control room. It seems odd that that has taken so long, because the diversion around Manton has been used on many occasions in the past, and, much to my horror, I hear that it may be used in future years. It makes for a difficult, time-consuming service, irrespective of the fact that on the days when trains are diverted along that route, there is no reduction whatsoever in the price—passengers pay the same price for that service as they pay for a faster one.

I understand what the hon. Gentleman said. I accept that improvements had been made: anybody who comes into St. Pancras station can only marvel at what has been achieved there. However, we still need to, and must, learn lessons from incidents such as the one I have described so that people who rely on the trains for connections—I have heard many stories about people who have missed connections once they have arrived in London—are not put at a disadvantage.

My hon. Friend the Member for Wellingborough asked if he could make a contribution, so I hope that he gets the chance to do so now.

1.13 pm

Mr. Peter Bone (Wellingborough) (Con): Thank you, Mr. Bercow. It is a great pleasure to serve under your chairmanship for the first time.

I congratulate my right hon. Friend the Member for West Derbyshire (Mr. McLoughlin) on securing from Mr. Speaker an extraordinarily important debate for people who have to use the railway line through the east midlands. I also welcome the Minister. I always find it difficult to criticise such an excellent, competent Minister, whom the Government always seem to put up to defend the indefensible. As always, I hope that Jim will fix it. I am grateful that we have a little more time than was originally expected, which enables me to make these few comments.

Midland Mainline, the previous franchise holder, was popular in my area. It was a good train operator that often won the train operator of the year award, the staff were friendly and I had no complaints from my constituents about the service. Lo and behold, it lost the franchise and along came East Midlands Trains. The managing director of that company, Mr. Tim Shoveller, kindly met me at the House of Commons. I am pleased to report that, despite what my constituents think, he does not carry a little fork and does not have two horns sticking out of his head. However, that is the feeling in the constituency.

We have had a downgraded service since East Midlands Trains took over the train service; there is no question about that. The frequency of the trains has been reduced and seat reservations for season ticket holders—the most important customers of the railway, who pay thousands of pounds out of their income each year to travel from Wellingborough to London—have been withdrawn. People are paying thousands of pounds a year, but they cannot get a seat and they cannot be guaranteed a seat from Wellingborough to London. That has caused the most enormous uproar. Of course, the trains were already overcrowded.

So the trains are overcrowded, the number of trains has been cut and people cannot get their seat reservation. My constituents, and those of my hon. Friend the Member for Kettering (Mr. Hollobone), are extremely annoyed about what has happened. I should like to blame East Midlands Trains and say that it had nothing to do with the Government, but unfortunately that is not so. The Government say that they will solve overcapacity and undercapacity by having lots more carriages—perhaps 1,300 or 1,500—but how many will East Midlands Trains get? It will get three more. So that will not solve the problem.

I talked to the managing director of East Midlands Trains and asked, "Why are you doing all these things? When you cut the service, why did you increase the cost of the fares by more than twice the rate of inflation? Did you do it to save money?" I then said, "What about the tea and coffee?" The nice thing about Midland Mainline was that it gave people a free cup of tea or coffee. East Midlands Trains took that away, saying, "Ah, that costs £1 million a year, Mr. Bone." I said, "So what? You charge enough for your fares: you've just bumped them up enormously." I was told, "It is all down to a problem that we have. It's the Government." I asked, "How can it be the Government? You run the service. The Government tell me that it is nothing to do

with them and that you run it." "Ah", the managing director said, "it is because we have to pay the Government a premium for the service."

I was told that my constituents who travel by rail are subsidising other people travelling by rail around the country. I thought that that was nonsense and could not possibly be true, so I asked the Secretary of State for Transport a parliamentary question. The reply I received says:

"Stagecoach Midland Rail Limited"—

that is, East Midlands Trains—

"will pay a premium of £133 million (net present value)",

which will be a great deal more in actual cash terms,

"over the life of the franchise."—[*Official Report*, 4 March 2008; Vol. 472, c. 2262W.]

The cuts are deliberately the Government's fault. I hope that the Minister will be able to sort that out and improve the service from Wellingborough to London.

1.15 pm

The Parliamentary Under-Secretary of State for Transport (Jim Fitzpatrick): It is a pleasure to see you presiding today, Mr. Bercow. I congratulate the right hon. Member for West Derbyshire (Mr. McLoughlin) on securing this debate. I am reliably informed that the Government Chief Whip, my right hon. Friend the Member for Ashfield (Mr. Hoon), suffered a similar experience on the train journey mentioned by the right hon. Member for West Derbyshire, but later on the day in question. I hope that the right hon. Gentleman therefore accepts that this is not personal and that there is no attempt by the Government to make his life more difficult than it is at the moment. There may well be occasions when we would want to do that, but this was not one of them.

The right hon. Gentleman and the hon. Member for Wellingborough (Mr. Bone) have raised some serious issues that I will try to address and, if I am unable to deal with all of those, I will ensure that we write to both of them.

The Under-Secretary of State for Transport, my hon. Friend the Member for Glasgow, South (Mr. Harris)—the rail Minister—apologises for not being able to respond to this debate personally, but he will be informed of the discussion. He will be pleased to hear some of the compliments made by the right hon. Member for West Derbyshire at the beginning of his speech and he will be dismayed to hear the accounts of the difficulties articulated by both the right hon. Gentleman and the hon. Member for Wellingborough.

The unfortunate, regrettable and lengthy delay experienced on the East Midlands Trains midland main line service on Sunday 2 March 2008 had two causes. The first was scheduled major engineering works on the midland main line and the second was an incidence of cable theft on the diversionary route that had to be used as a consequence of the closure of a section of the main line.

The closure of the midland main line was due to planned Network Rail major engineering works and essential heavy maintenance on Saturday nights and Sundays between 3 February and 23 March 2008. That resulted in train services being diverted off the midland main line, south of Barrow upon Soar, to the diversionary route line via Manton and Corby—part of which, from Corby to Kettering, is currently a freight-only route—rejoining the midland main line north of Kettering. Consequently, journey times were longer than normal due to services running over a slower route than on the main line. The diversionary route south of Corby towards Kettering is also single line, which severely restricts capacity and increases journey times. The section of track that was closed is two-track and there is no possibility of carrying out the necessary works without the diversion. The cycle of engineering works means that this route will have to be closed at weekends each year at this time. I understand that this will be frustrating for weekend passengers. Disruption is an unfortunate and unavoidable consequence of maintenance work that is essential for the continuing drive to deliver a safer, faster and more reliable rail network.

Increasing demand for travel has brought a growth in passenger services on the network and the introduction of newer, faster trains—Class 222s on the midland main line—has resulted in increased maintenance work across the network. Maintenance and renewal work is specifically programmed to avoid impacting on peak commuter travel periods when many more people use the trains. The alternative to major engineering work would be temporary speed restrictions, which would affect many more passengers commuting and travelling every working day. Using temporary speed restrictions would not stop, but would only serve to slow the degradation of the track and would eventually result in more extensive engineering work to provide continued use of the line.

As maintenance and renewal work is frequently carried out at weekends, leisure fares are available all day on Saturdays and Sundays and higher business fares do not apply. National Rail Enquiries has details of engineering works and extended journey times, which are published on train operating companies' websites and at stations.

The first that East Midlands Trains knew about the disruption was the failure of signals in the Corby area. The true nature of the disruption was known only later in the evening, which resulted in some confusing communication from staff to passengers, as the right hon. Gentleman explained. As he said, staff endeavour to provide as much information to customers as they possibly can—they did so at the time—but clearly they are reliant on accurate information being supplied to them.

A joint Network Rail and East Midlands Trains control centre is being created in Derby, which will enable the sharing of information and allow people to work together to manage any incidents, including providing timely and accurate communications to staff and passengers. That will be completed by May this year and therefore ought to overcome the difficulties raised by the right hon. Gentleman.

Over the past two years, a cross-industry possessions review led by the independent Office of Rail Regulation has been examining how to address best the growing mismatch between the increasing demand for travel and the service availability of the rail network. That has produced a new cross-industry consensus and a determination to develop ways to enable major reductions in the disruption that arises from engineering works. Critically, how to do so without compromising the safety of passengers and staff will also be considered. Network Rail, which is responsible for programming all

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engineering, renewal and maintenance work, is leading the development of a strategy to deliver on that so that, within seven years, rail users should enjoy a seven-day railway service. The strategy includes initiatives to reduce the typical duration of renewals works to track and bridges from 54 hours over a weekend to eight hours or less overnight.

The second cause of the delay was the theft of 200m of signal cable near Corby on Sunday, which I am advised happened at around 5pm—I know that the right hon. Gentleman said that he was advised that it happened earlier. That put signals out of action and delayed all consequent services. Trains could not be diverted back on to the main line because Network Rail engineers had started their activities and work was in progress. The diversionary route south of Corby is single line, and the emergency procedures in such cases entail trains being allowed through the single line section only if an authorised staff member is travelling on the train—known as a human token. That ensures total safety in the absence of signals and prevents more than one train being present on the single line section at any one time. There is an initial delay while procedures are put in place and staff located to operate them, and a further delay as the authorised person switches from one train to the next. Without signal cable, individual points have to be manually operated.

The British Transport Police are well aware of the widespread problem of cable theft and are trying to tackle it. They encourage better housekeeping and security to discourage theft in the first place and use helicopter patrols and covert and overt police action. They have also targeted scrapyards and metal dealers. Because of the risk to lives and the disruption that it can cause to train services, the BTP chief constable has described line side cable theft as

"one of the biggest challenges after terrorism".

To assist in the fight against cable theft, Network Rail and East Midlands Trains have jointly offered a £10,000 reward for information leading to the arrest and conviction of cable thieves who stole cable in January at Pye Bridge between Derby and Chesterfield. That demonstrates a serious commitment to supporting the police in efforts to fight this type of crime. On Monday 28 January 2008, the BTP conducted a day of action and undertook a number of operations to target metal thieves and clamp down on copper cable theft from the railway. Notable success was achieved and four men were convicted in Leeds in February 2007. In addition, three men were jailed for a total of 17 years in London and in Cleveland an operation involving 30 officers resulted in 10 arrests.

If passengers experience delays on top of the extended journey times set out in the national rail timetable, normal delay provisions in the operating company's passenger's charter prevail. There are currently two types of compensation payable to passengers of East Midlands Trains. One form of compensation is vouchers or cash given to holders of tickets for problems with one-off journeys. In practice, that is valid for all types of single, return or seven-day tickets. The second form of compensation applies to holders of season tickets valid for one month or longer. The season ticket compensation scheme is not valid on Sundays, but compensation for other tickets is available. For season tickets, a discount is given on season ticket renewal at the time of purchase. Delays and cancellations caused by incidents beyond the control of the rail industry are excluded from both compensation schemes, as the right hon. Gentleman has said. Such incidents include security alerts, vandalism and trespass.

As the right hon. Gentleman outlined, from 2009 the two sets of arrangements will become one and the new "delay repay" regime will apply to all ticket holders, which will compensate all passengers for delays regardless of cause. That is a new departure for the rail industry and has changed years of custom and practice. The scheme is being phased in to allow for systems to be altered, staff to be trained and passengers to be informed. That is one of the many tasks that the new franchise has committed to in the first years of operation and was negotiated as part of the bidding process.

Mr. McLoughlin: Is the Minister saying that that will be available across the whole rail network or will it just be applicable to that particular franchise? I realise that he may wish to obtain further information on that point, but it would be interesting to know the answer.

Jim Fitzpatrick: As I understand it, I am advised that it is for the franchise operations. However, on that question and the questions about whether it is possible to advance the introduction of the arrangements, I will ask my hon. Friend the Under-Secretary of State for Transport who is responsible for rail, to write to the right hon. Gentleman. As I say, because it was part of the negotiations for the franchise, I suspect that that part of the contract will have to be honoured. However, I am happy to consider that matter on his behalf and respond in writing in due course.

The hon. Member for Wellingborough raised the issue of services at Wellingborough. There are currently two trains an hour to London, Leicester and further north. A new timetable will be introduced in December 2008 that will provide a service of two trains an hour from Wellingborough to London and one an hour from Wellingborough to Leicester, supplemented by extra trains at peak times. The reduction in services from Wellingborough northbound is due to the introduction of a new Corby to London service. Capacity constraints on the main line mean that the Corby service cannot be introduced without the reduction in services at Wellingborough.

The reduction of northbound services from Wellingborough reflects existing travel patterns. Industry records show that there are relatively few journeys from Wellingborough to points north. The December 2008 timetable will allow faster journey times to Sheffield and Derby because fast trains will no longer have to stop at some of the intermediate stations that will be served by the revised Wellingborough to London trains, which will start from Kettering. There is a franchise obligation in the new east midlands franchise to spend £2.6 million by 31 March 2014 on enhancements or refurbishment at 11 premier stations, one of which is Wellingborough.

The right hon. Member for West Derbyshire asked about the figures being passed from franchisee to franchisee. The matter that he raised was part of the considerations on deficiencies in the previous franchise arrangements, so it is now incumbent on new franchisees to pass on

those passenger numbers and data when they pass on their franchises to subsequent operators. That will ensure that the deficiency that has been spotted is dealt with in future. Historically, that is the reason why it was not dealt with in the past.

In conclusion, since 1996, rail passenger kilometres have increased by 45 per cent. People are now travelling further by rail than in any other year.

Sir Peter Soulsby: The hon. Member for Wellingborough mentioned the small number of additional carriages that are destined for the east midlands main line. Does the Minister agree that if the service to Corby that has been mentioned is to be provided and the increased need for capacity on the main line is to be met, the Department ought to encourage the industry to revisit those projections and ensure that that main line gets the additional carriages that it needs to deal with existing capacity problems, never mind deal with predicted growth?

Jim Fitzpatrick: I am happy to ensure that my hon. Friend the Under-Secretary of State for Transport is informed of the points on capacity made by my hon. Friend the Member for Leicester, South (Sir Peter Soulsby) and the hon. Member for Wellingborough, and that he is told of the request for the matter to be revisited.

In 2003-04, for the first time since 1961, more than a billion rail journeys were made and the number of rail journeys increased further in each of the next three years. We have committed £15 billion in Government support for the railway up to 2014, so that the industry can plan against a secure funding commitment. Among other things, the money will procure the 1,300 new carriages, as mentioned in previous debates.

I thank the right hon. Member for West Derbyshire for initiating this debate. I hope that I have covered at least some of the concerns that he and other hon. Members have expressed and that I have offered them the prospect that matters are in hand.

Woodhead Rail Route

1.29 pm

Ms Angela C. Smith (Sheffield, Hillsborough) (Lab): I think that this is my first opportunity to speak under your chairmanship, Mr. Bercow, and it is not unwelcome. The debate is about the future of the very important Woodhead rail route, which crosses the Pennines from Sheffield to Manchester. The campaign to have the rail route reopened has attracted much interest. The case for reopening it, which is well encapsulated by the slogan "Crossrail for the north", is supported not only by campaign groups such as the Campaign for Better Transport and Friends of the Peak Park but by the Northern Way group, the city councils of Sheffield, Manchester and Leeds, and IPPR North. That body said:

> "The main rail links within the north—particularly on the trans-Pennine corridor and between Liverpool and Manchester and Leeds and Sheffield—are not fit for purpose. Failure to invest in these links is likely to lead to increased congestion on rail and road links...and additional domestic air travel".

Apart from the environmental case that I have outlined, what is the case for reopening the rail route? Rail passenger numbers are growing faster in the north than in the rest of the country, and there is increasing demand for rail freight. With a population of 14.5 million, the north is equivalent to a medium-sized European country, such as Sweden. It has a large internal market and its economy is worth in excess of £200 billion. The north has undergone a revival in the past nine years—I would say, of course, that that is thanks to the Labour Government. Its economy is stronger now than at any time in the past 40 years, and employment is at a post-war high.

Research recently published by the Northern Way shows that potential demand to move containers to and from the north's ports and across the Pennines is in excess of what the railway network can currently accommodate. In an earlier debate today, it was mentioned that Immingham alone carries 20 per cent. of the in-and-out freight traffic of the United Kingdom; 64 million tonnes of freight go through that port alone. If we add Grimsby and Hull to that, we see just how important the Humber estuary is to the north's economy.

Based on the work that the Northern Way has carried out to date, it is likely that a new higher-speed rail route across the Pennines will need to be built in the next 15 to 20 years or so. Successful delivery of the Northern Way's goal of closing the £30 billion productivity gap in relation to the north's economy will result in faster rates of passenger growth than the Government assumed in the recent White Paper, "Delivering a Sustainable Railway".

The view of the groups that I named earlier, as well as of the many MPs who have signed early-day motion 459, tabled by my hon. Friend the Member for Manchester, Blackley (Graham Stringer), is that the Woodhead rail route offers the most cost-efficient option for building trans-Pennine capacity in the long term. It also offers the most environmentally sustainable option. Indeed, the view is that only the 1953 Woodhead tunnel route offers the prospect of a broadly non-contentious means of enhancing cross-Pennine capacity sustainably. The alternative would be a brand new route, which would entail large-scale tunnelling, the cost and environmental

[Ms Angela C. Smith]

consequences of which could militate against its adoption as the preferred policy. That is why there is such opposition to any use of the 1953 tunnel by National Grid for recabling work, unless there is a commitment from National Grid to maintain all three tunnels and to return the cabling to the Victorian tunnels as and when the rail route is required to be brought back into use.

There is an economic case and an environmental case for a Crossrail for the north. The economic case is strong. The existing Hope Valley line is exactly that—much of the time, those who use it do so more in the hope than the expectation of getting to their destination—and there never was a more inappropriately named rail service than the Manchester airport "express" from Cleethorpes to Manchester. I shall give some examples. The journey from Sheffield to Manchester airport on that line, a distance of 30 miles, takes a minimum of one hour and 20 minutes. Sheffield to Newcastle, a distance of 134 miles, takes two hours and 20 minutes—two hours minimum, actually. Doncaster to London—a route well known to my right hon. Friend the Minister—takes a minimum of one and three quarter hours; that is for a distance of 140 miles. The case is clear.

Tom Levitt (High Peak) (Lab): My hon. Friend represents one end of the Woodhead tunnel and I represent the other. She is absolutely right when she talks of the Hope Valley line, which is not even capable of running fast—I use the word euphemistically—and slow trains at the same time, let alone taking significant amounts of freight. Does she agree that over the years there has also been considerable support from the private sector for the Woodhead freight route, which would take pressure off Hope and the other existing trans-Pennine routes?

Ms Smith: My hon. Friend is right. Indeed, I was contacted only yesterday by one of those companies about this issue. The Woodhead line used to take Sheffielders to Manchester and vice versa in half an hour. That is the improvement offered and that is why there is a much better option for freight on the Woodhead line. We clearly need new capacity, and the Woodhead route offers the potential to link effectively to the east coast and west coast main line networks.

Mrs. Linda Riordan (Halifax) (Lab/Co-op): I congratulate my hon. Friend on securing this very important debate. Does she agree that investment in transport needs channelling in the right direction? The fact that it takes just over two hours to go from Wakefield to London by train and that it takes 40 minutes to go from Halifax to Wakefield, which is 10 miles away, speaks volumes. Does she agree that the investment needs to be in the regional links that link to the main line stations, such as Leeds and Wakefield, to improve travelling times and connections?

Ms Smith: My hon. Friend is right. The whole point of reopening the Woodhead line would be to enable passengers, as well as freight, to travel more quickly. In relation to travel to work, the economic benefits of easier access to workplaces are obvious. The Northern Way has demonstrated the wider economic benefits of a national high-speed rail network linking London with the north-west and with Scotland and the north-east; and of a trans-Pennine link. Crucially, that integrated network would offer a means of addressing the locational disadvantage of the north in terms of access to markets, to the world financial centre that is tantalisingly close—of course, I am speaking about London—and to the key international gateways, which are our ports and airports.

The benefits could be as much as £10 billion nationally, £3.5 billion of which would be in the north. Apparently, £3.5 billion of the benefit would also be to London itself, which does not tap into the economic potential of the north as well as it might. Inclusion of a trans-Pennine link adds a remarkable 40 per cent. to the economic benefit to the north from such an investment.

The proposal for a Crossrail for the north would not only add significant value to the north's economy but could change the perception that investors, business and graduates have of the north's potential as a career and investment destination.

Graham Stringer (Manchester, Blackley) (Lab): My hon. Friend is making an unanswerable case for reserving the Woodhead tunnel for future use and, indeed, reopening it. She is also pointing out the fact that the timetables and schedules for trains in the north of England would have embarrassed Gladstone. Is it not time not simply to consider demand on the trains but to invest in new faster routes to support the economy of the north of England?

Ms Smith: Absolutely. My hon. Friend makes a very important point. There is a great deal of sense in establishing high-speed networks on the east and west coast main lines, but to maximise the impact of that we need to make the trans-Pennine link. That is critical to the case that I am making.

Agglomeration benefits could also accrue if we went ahead with the scheme. Agglomeration benefits arise through firms becoming more productive as a result of being closer or more accessible to other firms, workers and markets. Labour markets and business catchments overlap in the north—we have eight city regions—and offer an opportunity to create a critical mass as a counterweight to the London and south-east economy, but only if there is the reality of a coherent transport system that enables businesses to flourish beyond their city boundaries.

The environmental benefits of a Crossrail for the north are significant.

Mr. Michael Clapham (Barnsley, West and Penistone) (Lab): As my hon. Friend is aware, the west side of the tunnel is in my constituency. One of the groups that supports the re-opening of the route is Barnsley council, which fully supports it. Her economic argument is tremendously strong—the area between Manchester, Sheffield and Leeds requires the freight route. Does she agree that there is also potential for a grander scheme using the freight route, by which I mean linking the east and west Pennines to the Scottish economies and, through the midlands, to the channel tunnel? That would link the economic vitality of the area that she is talking about to the European market.

Ms Smith: My hon. Friend makes the key point again that the issue is not only the trans-Pennine link but the link between the north, via an east-west link, to the east and west Scottisn economies, London, and the channel tunnel and Europe. That is a critical part of the case and I am glad that it has been emphasised. Of course, Barnsley, which is part of the Sheffield city region, would benefit substantially from such a scheme. My hon. Friend is absolutely right about the benefits that would accrue to Barnsley—the town's economic potential, as well as its football team, is often underestimated.

The environmental benefits of a Crossrail for the north would be significant. Rightly, there is cross-party consensus in the House on the Climate Change Bill. We need to set targets for the medium and long term to reduce carbon emissions, but in focusing our attention on that legislation, we must not lose sight of the practical measures necessary to deliver a significant reduction in carbon emissions. Investment in high-speed rail links and rail-freight capacity is one of the key measures to success in our mission.

Mr. Graham Brady (Altrincham and Sale, West) (Con): The hon. Lady is making a powerful case, which I support. Obviously, there is an environmental benefit from laying electrical cables under ground rather than on pylons. Is the hon. Lady aware—she is more familiar with the case than me—whether National Grid has given any consideration to enlarging the tunnel, thereby taking the cable through it without closing it for future rail use? Does she agree that such a possibility is worth exploring?

Ms Smith: National Grid's considered view, which has been tested by a number of hon. Members, is that even if the cables go through one or two of the three tunnels, it will not be possible to run rail capacity through them. The key issue is whether National Grid is prepared to maintain the two Victorian tunnels so that we can return cabling to them in future. That is accepted as the way forward by all concerned, including the Department for Transport and National Grid. Most hon. Members recognise that the outage constraints of simply chopping off the supply to Manchester to recable the Victorian tunnels would be enormous. We have Ofgem to thank for that.

Mark Hunter (Cheadle) (LD): The hon. Lady is making a strong case—it would appear that there is a trans-Pennine alliance of hon. Members from all parties in support of her comments. Further to what the hon. Member for Altrincham and Sale, West (Mr. Brady) said, does she agree that the key thing to establish is that we are not opposed to the principle of National Grid using the tunnel if—it is perhaps a big "if"—there were some way for it to route cables through the tunnel that allowed train services to commence at some future date? I do not know how realistic the hon. Gentleman's proposition is, but we ought to establish firmly the principle that if there is a way around the problem so that National Grid was able to run its cables and retain the potential for future use, we are not against it in principle. We should ensure that the route remains a viable proposition for the future.

Ms Smith: If that were a realistic option, it would be the most acceptable one for all sides. We are talking about 440,000 V cables, so it would be a major technological challenge. It would be wise for hon. Members to test the case further with National Grid. However, so far, National Grid has been absolutely firm that it cannot put the cables through the tunnel and run rail capacity through them at the same time.

On environmental benefits, our children and grandchildren will never forgive us for losing important opportunities to invest in a lower-carbon future. The Woodhead rail route is one means by which to secure such a future. Any projection of the case for a new trans-Pennine link must take into account the need for extra capacity economically and to proactively engage in the process of incentivising greater use of rail networks by passengers and freight alike. We are talking not only about the possible extra demand but about the modal shift from road to rail, which is important to that lower-carbon future. We can do it by developing the high-speed integrated network that we are discussing.

I must make a plea to the Minister to display foresight on the issue and apply the precautionary principle. National Grid's use of the 1953 tunnel must not in any way be allowed for the economic and environmental reasons that I have outlined because it would close down the option of reopening the line in future. However, the omens are not good. Despite the Secretary of State for Transport's intervention in the matter, a rail magazine at the weekend reported:

"Network Rail has dismissed the idea it will pay for the decaying original Woodhead tunnels to be mothballed pending their re-use as electricity cable-carriers."

In the same article, National Grid says:

"If Network Rail or the Department for Transport wish to maintain the Victorian tunnels, we are willing to discuss this option with them".

We cannot risk stalemate—we cannot risk losing the potential use of the Woodhead route for rail and compromising the national interest because National Grid and Network Rail cannot agree who should maintain the tunnels. Will the Minister commit the Government to sorting out the impasse for the sake of the long-term vision that I have outlined? Will she also commit to looking seriously at the case for a Crossrail for the north? A project that would draw on a wide range of support, including from all three northern regional development agencies, must be worth investigating.

The Minister is a good listener and likes to respond—I know that from the work that she has done on flooding in Sheffield. Will she today give us the hope that we can realise our ambition to compete effectively with the London and south-east economy, and that our transport infrastructure will be appropriately modernised in the medium to long term? Will she give us a Crossrail for the north?

1.48 pm

The Minister of State, Department for Transport (Ms Rosie Winterton): It is nice to be back in Westminster Hall under your chairmanship, Mr. Bercow, after only a short interval. I congratulate my hon. Friend the Member for Sheffield, Hillsborough (Ms Smith) on securing the debate. She has demonstrated passionately how strongly she feels about the issue. Obviously, my hon. Friends the Members for High Peak (Tom Levitt), for Barnsley, West and Penistone (Mr. Clapham), for Manchester, Blackley (Graham Stringer), and for Halifax (Mrs. Riordan)

[Ms Rosie Winterton]

have demonstrated that passion, as did the hon. Members for Altrincham and Sale, West (Mr. Brady) and for Cheadle (Mark Hunter). Not least because of my role as Minister for Yorkshire and the Humber, I know that maintaining adequate rail capacity on trans-Pennine routes now and in future is vital to the economy of northern England.

I should like to reassure hon. Members that National Grid's plans will not jeopardise the possibility that the Woodhead tunnel route will reopen to rail traffic at some future date. As my hon. Friend the Member for Sheffield, Hillsborough outlined, National Grid owns the two Victorian tunnels and the more modern tunnel that was purchased from the British Rail Property Board in the early 1990s following the closure of the route in 1981. The company holds permitted development rights for placing cables in the newer tunnel. The cost to National Grid of replacing cables in the Victorian tunnels and of not using the more modern tunnels would be substantially higher than putting cables in the more modern tunnels and moving them back into the Victorian tunnels in future, as my hon. Friend mentioned. Replacing cables in the Victorian tunnels would require the transmission of electricity between the efficient power stations to the east of the Pennines and Manchester and the north-west to be suspended while the work was carried out. Less efficient power stations elsewhere would have to provide electricity, and that would be considerably more expensive—tens of millions of pounds according to National Grid.

Those outage charges would not be incurred if new cables were laid while the older ones were still transmitting; consequently, the charges would not be incurred if the process was reversed and new cables were put back into the Victorian tunnels while the cables in the more modern tunnels were still transmitting electricity. Reversing the process remains a possibility if growth in demand requires a fourth rail route across the Pennines.

My hon. Friend made a powerful speech, but I am sure that she realises that no Government or rail industry strategy or planning document has identified a need for additional rail capacity across the Pennines that would require the reopening of the Woodhead route. The Government's strategy for the railways is set out in the White Paper, "Delivering a Sustainable Railway", which identified the need for additional passenger capacity, and proposed that it should be met by longer trains to accompany reduced journey time on the Manchester-Leeds route via Huddersfield. On the south trans-Pennine route between Sheffield and Manchester, the East Midlands Trains franchise will deliver longer trains on the route between Liverpool and Nottingham via Sheffield.

Tom Levitt: My right hon. Friend has moved on from the tunnel itself, but I remind her that the question is whose responsibility it is to maintain the Victorian tunnels so that there is a tunnel to move back into.

Ms Winterton: I am coming to that point.

Neither the White Paper nor the Yorkshire and Humber regional planning assessment identified a long-term need for substantial increases in freight capacity across the Pennines. Consequently, it has not been suggested that the Woodhead route was needed for the purpose.

Network Rail published its freight route utilisation strategy in 2007. The only trans-Pennine issue that it identified was a possible need for additional capacity on the south trans-Pennine route through the Hope valley between Sheffield and Manchester. Again, that strategy did not identify a need for a new trans-Pennine route for freight. Network Rail's Yorkshire and Humber route utilisation strategy is work in progress. Network Rail is also considering capacity needs on the three rail routes across the Pennines—the Hope valley line, the Manchester-Leeds route via Huddersfield, and the Calder valley line via Halifax.

I am aware of the Northern Way study, "The Market Demand for Gauge Enhancements", but it does not refer specifically to the need for a new route across the Pennines or the reopening of the Woodhead route as the best way of achieving it. However, I am aware, as are other hon. Members, of previous expressions of interest from the private sector in using the Woodhead route. The Government set out their approach for developing a longer-term strategy in the document entitled "Towards a Sustainable Transport System". At its heart is a process of engagement with stakeholders—that has already begun—on the goals and challenges for transport. Should robust evidence be produced that one of the key challenges is meeting significant growth for movements across the Pennines, the next stage will be to consider options across all transport modes that could meet the challenges identified.

As far as rail options are concerned, capacity enhancements on the three existing routes would be considered first. However, if an analysis of capacity on those routes concludes that the option of an additional route ought to be investigated, the Woodhead route for rail use can still be considered. The time to consider whether or not the Victorian tunnels need to be protected from long-term deterioration, so that they could be used again for rail or cable, is when the long-term capacity analysis has been completed but before National Grid finally seals the tunnels after the removal of the life-expired cables. That is expected to be in 2010 or 2011. At that time, a decision can be made on whether the Victorian tunnels should be sealed in a way that allows the process of inspection and maintenance to continue, should it prove necessary. Meanwhile, National Grid will continue to carry out regular inspections of the tunnels.

Following the meeting between my right hon. Friend the Secretary of State and many of the Members in Westminster Hall today—led by my hon. Friend the Member for Sheffield, Hillsborough—and following the letter that the Secretary of State subsequently wrote to my hon. Friend, I propose to meet National Grid in the next few weeks to confirm that the Government wish to explore further the option of continuing the inspection and maintenance regime for the Victorian tunnels once National Grid has vacated them.

We will need to confirm the date by which a decision has to be made. As I said, that is expected to be in 2010 or 2011. By that point, much of the evidence gathered under the "Towards a Sustainable Transport System" process will be available, which will enable us to make the right decision. Following that meeting, I would like to meet key stakeholders. I want to discover the transport industry's view and the northern economic perspectives on the challenges that face freight transport across the

Pennines, and how that will tie in with the development of a longer-term strategy—in particular, the process of engagement with stakeholders on the goals and challenges for transport, which has already begun.

I want to build on that. I will encourage stakeholders to produce robust evidence on the expected growth in demand for passenger and freight movements across the Pennines. Should a significant challenge be identified, the next stage is to consider options for meeting those challenges through all transport modes. As far as the rail options are concerned, as I mentioned earlier, it will doubtless include capacity enhancements on the three existing routes as well as the reopening of the Woodhead route. The outcome of that work will provide us with the evidence needed to take a view on the long-term strategy for trans-Pennine transport links.

In conclusion, I reinforce the view that nothing should be done to jeopardise the economic future of the north of England, and I emphasise that National Grid's proposals will not do so. During the period 2009-14, the Government plan to spend £15 billion on the rail network, supporting a network of services in the north of England and elsewhere, improving performance and reliability, increasing capacity by providing 1,300 new carriages, and making better use of the existing network. I hope that my response to the points raised during the debate reassures hon. Members that the steps that I propose will keep open the option of using the Woodhead route in the long term.

Question put and agreed to.

Adjourned accordingly at one minute to Two o'clock.

Westminster Hall

Wednesday 12 March 2008

[JOHN BERCOW *in the Chair*]

HMRC (Northern Ireland)

Motion made, and Question proposed, That the sitting be now adjourned.—*[Mr. Alan Campbell.]*

9.30 am

Mr. Gregory Campbell (East Londonderry) (DUP): It is a privilege, Mr. Bercow, to serve again under your chairmanship.

The House and the wider public will know that Her Majesty's Revenue and Customs is undertaking a regional review, and we know the results of the initial stages of that programme. The next stage is the core of the matter that I wish to debate today. It is aimed at rationalising offices in smaller towns and cities throughout the United Kingdom. In Northern Ireland, that could affect locations such as Coleraine in my constituency, Ballymena, Enniskillen and Londonderry, with almost 500 jobs being put at risk.

Coleraine is the only town with two tax offices, both of which could be closed. Those two offices have 80 employees in post. Most people appreciate that HMRC staff throughout the UK engage in a task that is not only worth while but vital. They try to ensure that the appropriate revenue accrues to the Treasury, particularly in Northern Ireland where, in some sections of the community, evasion is more rife than in other parts of the UK.

The Northern Ireland Assembly has for several years supported the principle of decentralising public sector jobs, but it seems that the regional review is contemplating moving in the opposite direction. On the face of it, it would appear that most jobs will be centralised in the Belfast area. If they do move along that route, it will have significant adverse financial and social consequences.

Virtually all those employed in the Coleraine offices will be offered posts in the Belfast area, which is between 90 minutes and two hours travelling time away during peak hours. That will necessitate an assisted travel allowance being paid for three years. That will amount to about £1.5 million. I do not include the redundancy payments, but if that were to be contemplated, it would cost more than three times that amount.

In addition, there is the thorny question at the core of my contention, which is about the requirements of section 75 of the Northern Ireland Act 1998. At the moment, they do not apply to the rest of the UK, but we in Northern Ireland are only too well aware of them. Under section 75, HMRC has to establish whether specific sections of the community would suffer as a result of the rationalisation programme. I shall give a few examples.

Approximately 58 per cent. of HMRC staff in the UK are female. The female complement in my constituency is 64 per cent. I suspect that the other offices at risk have a similar proportion. The point is that females will be specifically disadvantaged by relocation, as many of them are carers and some are mothers with young children. The prospect of an additional three and a half to four hours travelling time a day on top of their normal work load would undoubtedly cause hardship and create unnecessary family stress, which is completely at odds with the requirements of section 75.

I turn to the age structure of HMRC's staff. The proportion of staff in my constituency over the age of 35 is 81 per cent. The national average is 74 per cent. Again, the additional travelling time caused by rationalisation would make the elderly staff complement more prone to illness and stress. Again, that is in contravention of section 75.

Over the past five years, HMRC's staffing in Northern Ireland has been shown to be under-representative of the Protestant community. Indeed, that is the case in much of the public sector in Northern Ireland. According to the Equality Commission for Northern Ireland, the staff is 55 per cent. Roman Catholic and 45 per cent. Protestant. The closure of offices in a town such as Coleraine that has a predominantly Protestant population would make the task of trying to create a more balanced work force even more difficult. Again, section 75 requirements would not be met.

Much of Northern Ireland outside the Belfast travel-to-work area is rural. It has a higher than average ratio of people registered as disabled, in both rural and urban areas. Fern house in Coleraine is fully compliant under the Disability Discrimination Act 1995; that would be a prerequisite for the disabled population of Coleraine. However, for disabled people as consumers to have to travel the journey that I have outlined would be completely unacceptable.

I understand that the two buildings currently occupied by staff in Coleraine are leased. I hope that the Minister will address directly the question that I am about to put, as well as dealing with the general concept. I understand that several freedom of information requests have been made to the Department, seeking to establish the terms of the leases of those two buildings. To date, that information has not been released.

It is a simple question. What is the current rent? Once that has been established, we will be in a position to say whether it will take 15 years or even 20 years in savings of the rental merely to cancel out the assisted travel allowance, let alone the other factors that I have mentioned. Amalgamating those two offices would be a better option—or a least worst option—than closing both.

The north coast and the north-west of Northern Ireland have been particularly hard hit with redundancies over the past two years, in both the public and the private sectors. We need stability, as the Northern Ireland Assembly seeks to generate inward investment.

Mr. Nigel Dodds (Belfast, North) (DUP) *indicated assent.*

Mr. Campbell: I note the approval, from a sedentary position, of the Minister of Enterprise, Trade and Investment in the Northern Ireland Assembly. I accept that in the spirit in which it was given.

During the past year, decisions have been taken about Northern Ireland's Driver and Vehicle Agency; much of its work is being transferred to the Driver and Vehicle Licensing Agency in Swansea, south Wales. That is resulting in job losses in Northern Ireland. Even then,

[Mr. Gregory Campbell]

some job saving was managed by non-location-specific work being transferred from Swansea to Coleraine. I ask the Minister to say whether it will be possible to do likewise in respect of HMRC.

Finally, I understand that a recent Treasury Select Committee report expressed concern that the current tax gap, with underpayments of VAT, direct tax and national insurance contributions and a deterioration in the performance of self-assessment, may be linked to the overall reduction in the head count that has already taken place under the HMRC review. For those reasons, I hope that the Government, even at this stage in considering the progress of the review, will be able to come to a more satisfactory conclusion. The problem is affecting hard-hit communities in a way that could make unemployment much more likely and re-employment even more difficult in an area that is already experiencing hardship.

9.40 am

Mark Durkan (Foyle) (SDLP): It is a pleasure to sit under your chairmanship this morning, Mr. Bercow.

I congratulate the hon. Member for East Londonderry (Mr. Campbell), or East Derry—he can take his choice—on securing this debate. Like him, I recognise the potential impact of the pending changes to the Revenue and Customs estate in Northern Ireland. For many of us, part of the issue is: are those changes effectively estate-driven, and blind to the performance issues facing Revenue and Customs, almost blind to the job implications for people currently working for Revenue and Customs and indeed blind to the implications for the areas in which the affected offices are located?

It has already been said that there are standing commitments in Northern Ireland to decentralisation. If I am honest, I would have to say that everyone seems to be for decentralisation but few are for doing anything about it. It is the usual story: everybody wants to go to heaven, but nobody wants to die. When I was Minister of Finance and Personnel in Northern Ireland, I sent missives around, commissioned a review on office accommodation strategy and asked all my fellow Ministers to offer up candidates for decentralisation. I received three indications of possible candidates for decentralisation, which were effectively non-starters in terms of their impact.

Therefore, I am not trying to be dishonest, saying to the Minister, "We have a perfectly wonderful active policy of decentralisation and we want you to do the same". That is not the fact, and the Minister has her own experience of being in office in Northern Ireland, so she knows the resistance and talented inertia that can exist within the civil service system regarding such matters.

However, a number of localities, not least in my constituency, have seen job losses, some in the private sector and some in the public sector. Those jobs were previously decentralised back in the 1990s, and they have been lost in the past few years. They were decentralised within the Northern Ireland civil service—under direct rule, I hasten to add, before the hon. Member for Belfast, North (Mr. Dodds), who is the current Minister of Enterprise, Trade and Investment in Northern Ireland, thinks that I am being pointed in my presentation.

Some of the remaining civil service jobs in my constituency, namely in Foyle house in Revenue and Customs, are now under threat because of this so-called rationalisation. That rationalisation seems to have the effect of sucking jobs in Revenue and Customs away from the west of Northern Ireland and on to the eastern sea board. That is a pattern that we need to avoid. People see that as centralisation in a particular direction, and as geographic concentration. That affects not just the reasonably equal job opportunities that people throughout Northern Ireland have every right to expect, but, materially, the performance and effectiveness of Revenue and Customs.

When we lose the existing network of local offices, Revenue and Customs will lose the effective rate of contact and access that it has with local taxpayers, local businesses, local tax advisers and local accountants. That will make a real difference to the performance and effectiveness of Revenue and Customs. It is a good thing when some people appreciate being able to access and contact a tax office—*[Interruption.]* I notice that the hon. Member for Upper Bann (David Simpson) dissociates himself from those remarks; perhaps he is in a constituency position that gives him some comfort to do so. I certainly know, however, that it is not just people working in Foyle house in Derry who are concerned about the changes, but people whose work leads them to rely on the contact with, availability of and access that they have to Foyle house and some other tax offices in the region. That level of availability is not something that should simply be tossed aside. It seems that this process is effectively driven by estate policies and estate agendas, rather than by service effectiveness and performance.

The changes in relation to Revenue and Customs, and the impact on the capacity of Revenue and Customs in Northern Ireland, are not just happening in isolation; I refer to the wider issues of public sector job distribution in Northern Ireland. In that context, we should not ignore the changes in relation to, say, the Assets Recovery Agency. That agency was particularly successful in its work in Northern Ireland. It has been able to address the local Mr. Bigs and the ostentatious affluence from questionable sources that people have been able to demonstrate in Northern Ireland, in ways that would not interest the Serious Organised Crime Agency. Many public representatives in Northern Ireland are concerned that the impact that we have seen on illicit moneys and on money laundering—some pretty mature money laundering fronts have developed in Northern Ireland—will not continue. The ARA was having an effect on that, and was able to draw on the expertise, assistance and intelligence of other agencies, including Revenue and Customs. Given that we will potentially lose out in the shake-up of ARA, I would have thought that a case could be made that the experience in Northern Ireland and the insights in Revenue and Customs in Northern Ireland could be used to good effect to continue the pursuit of those moneys and potential revenues through Revenue and Customs and other means.

Under the new regime in SOCA and in policing, in terms of how the models work, police will essentially deal with level 1 crime, SOCA will be interested in level 3 crime, and nobody will really pursue the illicit means and moneys involved in level 2 crime. It is almost as if a tax band system has been created for the criminals in

Northern Ireland, many of whom are essentially just the privatised paramilitaries. They will know that if they effectively stick within band 2, they will get away with things because nobody in particular will pursue them. That would be a dreadful signal for us to send at a time when we are trying to ensure that everything about Northern Ireland is more legitimate and more stable.

We have capacity, intelligence, means and hard-working personnel available. If we are simply going to toss those resources aside, that would be wrong. Will the Minister therefore ensure that whatever other adjustments are made to the Revenue and Customs estate strategy across the UK more widely, particular attention is paid to the specific circumstances and issues in Northern Ireland, to determine how best those are to be tackled across the range of Government interests? It cannot be in the interests of Revenue and Customs to do otherwise.

In Northern Ireland, Revenue and Customs has been part of the Organised Crime Task Force, which has had road shows. A direct rule Minister and people from Revenue and Customs have been going round telling businesses what they have to do and what they can do in relation to money laundering and other aspects of organised crime. In the aftermath of all that publicity, all those road shows and all the motivating effort to help business, the signal coming from the Government is essentially that they will do less about such activity, and the means and the tools that they have will be left, or made, redundant in some of the reforms.

Mr. Dodds: May I say to the hon. Gentleman that I agree with him entirely in what he says about the ARA, the work that it has done and the problems and concerns that have now arisen, given SOCA's new role and so on, and the gap in chasing organised crime that he refers to? Does he not agree that that pursuit of organised crime is even more important in the context of the great outcry and the spotlight on the enormous amounts of money lost through fuel laundering, smuggling and all the rest of it? Also, does he not agree that there is great concern within Northern Ireland about this transfer from the ARA to SOCA along the lines that he has mentioned?

Mark Durkan: I thank the hon. Gentleman for that point. He raises another dimension: revenue issues in Northern Ireland in respect of fuel smuggling and other criminal activities. Of course, there is the issue of Northern Ireland having a land border, with legitimate businesses conducting their affairs on a cross-border basis, as well as some illegitimate businesses conducting their affairs on that basis too. Again, that points to the need to ensure that Revenue and Customs has services and offices in Northern Ireland that are attuned to all the factors and circumstances in play so that they can understand what is going on.

The hon. Member for East Londonderry mentioned the Treasury Committee report, which cannot be ignored. We all know that questions have been raised about self-assessment and the terrible problems with tax credits. Indeed, Northern Ireland no longer has its own tax credit office, and we all have to ring Frank in Preston if we want anything done; if we do not get Frank in Preston, it is hard lines, and the problems remain. We have to wonder why the answer to all these problems is supposedly to rationalise the estate in ways that will only strain the performance capacity and the flexible intelligence of the Revenue and Customs system.

I have mentioned issues particular to the Northern Ireland economy and revenue base, but the skills, experience and insights offered by the work force in the existing offices in Northern Ireland can also serve Revenue and Customs more widely. Just as many of us in Northern Ireland have our tax affairs dealt with by an office in Wales, offices in Northern Ireland can serve other regions in the UK. That is true not least in respect of money laundering, and I return to the implications of the concentration on SOCA. Under the proposals, level 2 crime and illicit financial activity will essentially be given a bye ball. The issue of Revenue and Customs needs to be addressed if the Government are serious about levying legitimate tax and pursing illegitimate activity where they can.

I hope that the Minister and her colleagues will reflect more widely on the implications of the proposals. We are not simply making an appeal for jobs in our constituencies, although it would not be honest to deny that that is a dimension of what is happening here, because it is a real and legitimate concern. We are talking about people who have given good service in difficult circumstances and sometimes not in the best premises. If the estate in Northern Ireland is to be rationalised, that must be based on safeguarding performance and effectiveness at Revenue and Customs more generally and ensuring that there are proper working conditions.

David Simpson (Upper Bann) (DUP): When the hon. Gentleman refers to jobs, does he agree that the loss of jobs flies in the face of Government policy? The Government encouraged females to return to part-time work, but the current proposals fly in the face of that. We are talking about the economically inactive taking up different jobs in the Province, but the Government are kicking the feet from under these ladies, who have made the effort to return to part-time work, but who will lose their jobs.

Mark Durkan: I fully take the hon. Gentleman's point.

The workers we are talking about have been told that there might be retraining opportunities for them, but when they have asked questions about those, they have been given bizarre, evasive and confusing answers. As the hon. Member for Upper Bann said, these people have made their way back into the work force, taking advantage of retraining opportunities that were previously available and fitting their jobs in with their other responsibilities. We cannot turn around and tell them that they will be released altogether, albeit with limited opportunities for retraining, or that they can travel two or more hours each way every day to and from their job. Essentially, that is a let-them-eat-cake response.

The workers on whose behalf we are speaking face various challenges and difficulties and they have been told that offers of retraining are available to them, but those offers cannot be available to all of them. It is great to offer people retraining, but there is a reduced number of jobs, so the idea that everybody is being offered relocation is somewhat dishonest. That is not a satisfactory answer, and these employees and their families deserve more than a let-them-eat-cake response from their employers.

9.55 am

Dr. John Pugh (Southport) (LD): It is a pleasure to serve under your chairmanship, Mr. Bercow. I congratulate the hon. Member for East Londonderry (Mr. Campbell) on introducing this timely debate and enlightening us about the special problems of Northern Ireland. We all know and accept that tax offices across the land are affected in similar ways to those in Northern Ireland, and that includes those in my constituency. I should add that it is difficult for Members of Parliament to take up the cudgels on behalf of tax officers, as opposed to groups such as nurses, because they are not always the most popular people in the land.

Tax offices are currently the object of the Gershon savings, which were announced without a clear plan in 2003. At the time, my hon. Friend the Member for Twickenham (Dr. Cable)—a man gifted, as we all know, with exceptional foresight—said that it was all very well announcing big global savings, but that it was not so easy to know how they would be implemented in practice, particularly when they affected individuals' jobs and individual communities.

The general assumption behind the Gershon savings is that they are about efficiency and having cashable, bankable savings, not about cuts and reductions. With that in mind, we must ask the Minister certain key questions, and one pivotal question obviously relates to redundancies. I am still not clear about the nature of the allegedly benign agreement between the unions and the Government, and I have spoken to the Minister about it at the Dispatch Box. I get different stories from the Public and Commercial Services Union and the Government, and I should like a clear answer on whether we anticipate any compulsory redundancies and whether the Government are budgeting for them. Are the offers to staff so impractical as to amount almost to constructive dismissal, as has been suggested? Do the savings that the Government anticipate include an allowed attrition rate that will arise as a result of people simply throwing in the towel, because they cannot move to the jobs that they are offered?

There are also questions about savings. Obviously, big savings are possible, particularly in relation to the buildings. Given the number of buildings that are going, the savings could be considerable. In my constituency, it is said that savings of £230,000 will follow from the change in use of the building and the emptying out of most of it, although we are told—there is a certain vagueness about this—that more detailed information on savings will be available only when the closure timetable is announced.

That leads me to speculate, as the hon. Member for East Londonderry did, that there is a certain amount of uncertainty about the savings on property. What will be the capital dividend from the release of the property? Will the revenue savings that are engineered depend on the sale of the asset or on finding a new tenant? Some buildings in town centres are obviously highly valued, but not all are. There are also the costs of removal and de-installation.

Furthermore, a lot of the property that we are talking about is not freehold and is covered by the private finance initiative, on which there is an annual charge. Do we need to keep paying that charge or to find someone to take it over? How does that charge affect the disposal value? In other words, we need a clear account of the Government's intention towards the estate and of how much everything will cost.

Another issue is the reduction in service. The Government claim that there will be no reduction; but unquestionably, the service will be less local, with fewer inquiry points, and there will be incalculable damage to public confidence in the tax service, because it will not be as accessible. That is especially true in Northern Ireland and in a town such as mine, which has lots of small businesses, as well as elderly people and migrant labourers who have complex tax affairs. All their cases need resolution. There seems to be no overwhelming case for centralisation, particularly in an age of IT, when networks between different buildings can often be very sophisticated.

That brings me to my final point, which other hon. Members have touched on: what about the localism agenda and the work-life balance that is so desired, for female employees in particular? What about helping disabled people back into work? Is there any upside to the centralised processing that is being suggested, such as the lean system, from which the Government hope to get most of their savings? That has not been properly assessed. A passage from the National Audit Office report on accuracy in the processing of income tax, which was produced in July 2007, comments on the centralised system:

> "The Department's initial experience of Lean working suggests that significant improvements in the accuracy and efficiency of processing Income Tax are possible. Early results suggest some improvement in the quality and productivity of work, but lead times in completing work have increased. No firm conclusions could be drawn on how Lean working had affected accuracy rates at this stage. Close scrutiny of emerging trends will be important in identifying any unforeseen effects and in assessing action needed to sustain improvements".

That is not exactly a clean bill of health for the centralisation system.

Dr. William McCrea (South Antrim) (DUP): We are talking about improvements to the service, but how can we have an improved service if employees, including those who are disabled, travel for two hours before arriving at work, stressed out? I see the Minister shaking her head, but she knows that people travelling from certain parts of the Province will travel for that long. If they must sit for an hour, as the rest of us must, trying to get into the city of Belfast, that will add to their stress. How will that assist the progress of the centralisation?

Dr. Pugh: I was coming to precisely that point. Clearly, how staff are treated affects the way that the workplace functions, including its efficiency. Deskilling, which is what we are really talking about in this case, will not necessarily lead to a gain in efficiency; it can mean that problems that do not involve standard tax cases take longer to sort out. Plenty of documentary evidence suggests that HMRC does not have brilliant success with its current forms and procedures. There are anecdotal stories to the effect that such an approach can lead to the stockpiling of post, when post is simply left in cupboards and treated as not having been received, which significantly reduces processing times. It can lead to the "computer says no" syndrome, with which I am familiar: when someone asks why their letter about tax credits was not received, they are told, "It wasn't received on our computer." Unquestionably—this is the point

that the hon. Member for South Antrim (Dr. McCrea) just touched on—staff will become demoralised. All research tends to show that, in such highly centralised institutions, absence rates are higher and there are recruitment problems. That is perfectly well documented.

In the office that is being closed in Southport, the office staff, as in Northern Ireland, are mostly female and many have caring responsibilities, but most of them have good knowledge of the area. When the office was previously scheduled for closure, they all won their appeals. I question what will happen to those people with caring responsibilities and to those who are disabled when they have to move. I fear what will happen; I assume that many of those people will simply throw in the towel and look for work elsewhere. That will be a loss not only to them but to the Revenue. Those employees make the point that their local knowledge helps to clear up problems that would be difficult to solve otherwise. It makes it easier for them to track down evasion in the area.

I suppose that a cynic might not be surprised to see the Government abandon some of their own agenda of localism, work-life balance and keeping disabled people in employment. It is more of a surprise to see them spurn efficiency. My conclusion, about which I am quite sincere, is that HMRC is acting in somewhat of a panic, to a higher, unreasoned political imperative. It simply must do something to get the savings that Gershon has said can be made. I used the word "political" in connection with the imperative, and it has been noted with some bitterness in my area that certain constituencies, notably Blackburn, are unaffected by closures of tax offices. If we act in such a rush, we end up with ersatz savings, pseudo-efficiency and, in consequence, a lot of unnecessary human anxiety.

10.5 am

Mr. David Gauke (South-West Hertfordshire) (Con): It is a pleasure to serve under your chairmanship again, Mr. Bercow, and to speak in the debate. I congratulate the hon. Member for East Londonderry (Mr. Campbell) on securing it. It might not attract the greatest attention among all the Treasury events that are occurring today, but it is nevertheless important to the hon. Gentleman's constituents and others. He set out his case with great skill on behalf of those of his constituents who are employed in Coleraine and other offices in his part of the world.

The hon. Gentleman raised several important questions about the practicality of the Government's proposals for the reorganisation of HMRC offices in Northern Ireland. He also raised some of the specific issues that relate to Northern Ireland, such as section 75 of the Northern Ireland Act 1998. I also congratulate the hon. Member for Foyle (Mark Durkan) on raising issues that relate to organised crime in Northern Ireland and the impact that some of the proposals might have in that respect.

The Minister has great knowledge of and, it would be fair to say, fondness for Northern Ireland from her time as a Minister there. We all look forward to her response to points specific to Northern Ireland, as well as to her comments on the other issues that have been raised. She has debated them before; she and I took part in a debate on reforms of HMRC offices in the midlands on 18 July last year. Indeed, many of the points that have been raised today were raised in that debate.

In preparation for today's debate, I looked back at what I said on that occasion, and I want to reiterate a couple of those points. First, I do not think that anyone will disagree that efficiency is no bad thing. It is right for the Government to seek to make efficiencies and to deal with inefficiency. On occasion, that will require a reduction in the head count, and I do not want to shy away from that aspect. However, several hon. Members have today raised an important concern about supposed efficiencies that result in a reduction in the quality of the service being provided.

We should examine whether the changes that the Government propose will cause a decline in customer service. To repeat a point that I made in the previous debate, I feel that the word "customer" is not always the appropriate term for taxpayers. In last year's debate, I drew attention to the concern raised by the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Taxation that some head count reductions and supposed efficiency savings were causing a decline in customer services.

Mr. Jeffrey M. Donaldson (Lagan Valley) (DUP): I agree with the hon. Gentleman that the reduction in the quality of service is an important matter, but is not the reduction in the quality of life of staff in HMRC offices equally important? If the proposals go ahead, staff in my constituency who work at Moira house in Lisburn will have to travel on the M1—a very congested motorway—into Belfast and find parking. Some of those people are young mothers with children. Should not we take into account the impact on the quality of life of staff in places such as Moira house before we take such decisions?

Mr. Gauke: The right hon. Gentleman sets out his case very well, and I do not want to dispute what he says. Indeed, I shall return specifically to the point about the impact on staff and morale. He other hon. Members have made that point very well.

A number of targets are set out in the HMRC's 2004 public service agreement. Some relate to customer service and experience, which were assessed as suffering slippage in the 2007 departmental annual report and the 2007 autumn performance report. In particular, the departmental report highlighted the indicator of an 80 per cent. response rate of businesses and individuals who said that they achieved success at the first point of contact but that that was not sustained. That will be of concern to customers within Northern Ireland and elsewhere in the UK. Furthermore, last month's Treasury Committee report, referred to by the hon. Members for East Londonderry and for Foyle, stated:

> "We remain concerned that HMRC's headcount reductions, office closures and consequent move towards contact centres have proved a source of frustration to customers."

I would be grateful for the Minister's comments on that.

Staff morale is, of course, relevant to this debate, given the difficulties that the efficiency reforms will create for them, which feeds into customer service, because staff with low morale are unlikely to provide as good a service as those with high morale. There is concern about morale in Northern Ireland and generally. I suspect that proposals, such as those being discussed

[Mr. Gauke]

today, play a part in that. We have heard about issues with missing data discs and performance on VAT registrations. However, the combination of a variety of Government initiatives, such as the Lyons and Gershon reviews, and tight budgets appears to have an impact on morale. The *Financial Times* reported, a few days ago, on a staff survey that referred to very low morale in HMRC and, in particular, highlighted a lack of confidence in the leadership of HMRC. Certainly, the HMRC capability review identified leadership as a weakness. What is the Minister's assessment of morale in HMRC, in Northern Ireland and more generally?

Evidence for strains within HMRC emerged in a report in *The Mail on Sunday* on 24 February that claimed that HMRC was not pursuing debts of up to £20,000. I do not know whether that report is correct, but it went on to argue that tax collectors were being drafted from Belfast and elsewhere to London to address that backlog. Is that the case?

Another issue directly related to Northern Ireland concerns the status of HMRC's VAT registration centre in Newry. Some months ago, it was intended that various registration offices, including Newry, would close and that there would be one centre in Wolverhampton. Owing to difficulties in the area, the Newry office was not closed and was maintained to address a backlog of VAT registrations. What is the up-to-date position on the future of the Newry office? Is the intention that it will remain open for much longer? The VAT registration backlog has been addressed to a large extent and HMRC is meeting its target of dealing with 70 per cent. of VAT registration applications within 14 days. In the light of that, is the Newry office safe, or is it more likely to close? There are further concerns about VAT registrations; it still takes about 75 days to deal with high-risk applications. Will the Minister comment on that?

Furthermore, about 23 per cent. of VAT registration applications are judged to be incomplete, which suggests a problem with the process. The Treasury Committee addressed that matter in its recent report:

> "We have repeatedly been assured that the headcount reductions and efficiency programme as a whole would not cause a decline in the quality of HMRC's services. We ask the Government to explain why there has been a deterioration of service in relation to VAT registrations and what measures it will take to bring HMRC back on course."

That issue applies as much to Northern Ireland as to the rest of the United Kingdom.

In closing, once again, I congratulate the hon. Member for East Londonderry on initiating this debate and setting out his case very well on behalf of his constituents, staff and the wider community using HMRC offices. In July last year, I made the point that we increasingly want some personal contact and that distant contact centres do not always provide the type of service that we want. I would be grateful for the Minister's comments.

10.16 am

The Financial Secretary to the Treasury (Jane Kennedy): It is a pleasure to see you in the Chair, Mr. Bercow. I have enjoyed your chairmanship. In all honesty, in preparing for this debate, my opening phrase was to be, "I am pleased to have an opportunity to respond to the concerns expressed by hon. Members." I was thinking about that in the context of what is happening elsewhere today and wondered whether I could say it with sincerity. However, just a few moments into the debate, listening to Members whom I regard in very friendly terms—many of them are friends whom I have got to know over some very difficult years—I can honestly say that it has been a pleasure to listen to this debate and to have the opportunity to respond. I congratulate the hon. Member for East Londonderry (Mr. Campbell) on arranging the debate.

Members' interest in the reorganisation of HMRC in Northern Ireland has already been brought to my attention through questions to the House and the consultation process that HMRC has developed, for which I am grateful. As others have said, the taxman has never been a popular figure, particularly in Northern Ireland. On many occasions, he has led a dangerous life. However, as the hon. Member for East Londonderry is aware, HMRC has designed a systematic review process—not a panic response. In some sense, it was a response to pressures brought to bear on it by Ministers to ensure that its processes and procedures are as efficient as possible. As a result of those pressures and the Gershon and other reforms, HMRC has developed a very good and thorough process for dealing with the matter, which involves review, consultation and announcements on decisions that are then very carefully taken forward. That process is being implemented across the UK.

The review process for the Belfast urban centre is virtually complete and I expect an announcement to be made to staff and trade unions in the next couple of months. Hon. Members with a constituency interest in the area will be notified at the same time. To meet its requirements under section 75 of the Northern Ireland Act 1998, the importance of which the hon. Member for East Londonderry rightly emphasised, HMRC has undertaken a full equality impact assessment of its proposals for the Belfast urban centre taking into account the particular issues affecting the region. It has worked with the Equality Commission for Northern Ireland to ensure that it does not unlawfully discriminate against particular groups.

Mark Durkan: The Minister said that the equality impact assessment relates to the Belfast urban review. Did the Equality Commission not advise the Department that the equality impact assessment should cover the whole of Northern Ireland?

Jane Kennedy: I shall come to that in a moment, if my hon. Friend will give me time. I anticipate that the review of clusters, which will include Coleraine and individual offices in Northern Ireland will begin within the next couple of months, supported by a full equality impact assessment for those locations. The issue will not be decided quickly; it will be a process in which the staff, service users, Members of this House and—I am sure the Chamber will want to be reassured—Members of the Northern Ireland Assembly will be involved.

The hon. Member for East Londonderry made a couple of points to which I shall respond. He asked about the rental of HMRC offices in Coleraine and the freedom of information request. HMRC cannot release information about the accommodation costs that it pays to Mapeley, the third-party landlord for much of

HMRC's estate. The information is protected as commercially in confidence. However, HMRC is able to release figures for financial savings on buildings having been vacated once decisions have been made. Those figures are germane to the process, but it is a process that I, as a Minister, require HMRC to carry forward professionally. It is HMRC's responsibility to negotiate the best savings out of all the changes that it proposes.

Mr. Gregory Campbell: *rose—*

Jane Kennedy: I appreciate that that will disappoint the hon. Gentleman, and I happily give way to him.

Mr. Campbell: The Minister will understand the incredulity that many people will express, because we will be able to establish the cost-effectiveness of any decision only after it has taken place and people either have been made redundant or have to undertake the huge journey that many hon. Members have outlined today.

Jane Kennedy: For people outside the process, there is some truth in that point. However, learning from the way in which the process has been carried forward in other regions, I am confident that HMRC operates the process absolutely properly. In fact, it is gaining savings—I shall turn to them in a minute—by changing the way in which staff work, and they are all important modernisations that HMRC is required to take forward. As the process goes forward, I think that the House will be satisfied that the right decisions are being made.

Hon. Members should visit those offices where changes have been implemented and the process has been completed—in the south-east of England, for example, where similar representations were made at the beginning of that process. Having gone through it all, none the less, staff have been able to move and be accommodated within reasonable travelling times. I shall come on to that issue, which several Members have raised. I know Northern Ireland well, and I am very conscious of the pressures that people are under when they travel there. I therefore encourage hon. Members to have confidence, because HMRC has a real and proper agreement with the trade unions about the way in which it carries the process forward, and it works. I have seen it work and I have confidence in it.

The hon. Member for Foyle (Mark Durkan) made a number of points, and I was very interested to hear his concerns about the impact of changes on the way in which the law enforcement agencies might work. He said that he feared that the review was in danger of sucking jobs to the eastern seaboard, and I can see that that concern is very real for him and for his constituents. However, all I can say to him, as I said earlier about the second review of the smaller offices, which will begin shortly, is that everybody will have an opportunity to contribute to the process and everybody's views will be listened to before decisions are made. It is not a process whereby decisions have been made in advance, and then we will have a review in which people cannot have confidence. There have been many occasions when proposals have been met with counter-proposals and they have been taken on board.

Mark Durkan: Frankly, I am not reassured by what the Minister has said, because in effect, the Belfast review will be presented as having resulted in certain givens that will affect, inform and influence the review of offices outside Belfast. She has told us that, in effect, there are two separate equality impact assessments: one for Belfast, which will reach a conclusion, and a separate one for the other offices. The Equality Commission for Northern Ireland has clearly said that the right thing to do is to have one overall equality impact assessment of the current regional review. Why is that not happening?

Jane Kennedy: The Equality Commission said that it would prefer all areas of Northern Ireland to be reviewed together, but it was mindful of the model that HMRC has used to review urban centres in the rest of the United Kingdom, and the earlier timetabling commitments that HMRC had given to staff. The commission had no objection to HMRC continuing with the model involving two processes, examining first, the urban centres, and secondly, the smaller offices, when taking forward the Belfast urban centre review.

I shall turn to the changes that HMRC is making to the way in which it carries out its business, so that it can respond to customer demands and the requirement—

Dr. Pugh: *rose—*

Jane Kennedy: I shall come to several points that the hon. Gentleman made, if he will allow me, and then I shall be happy to give way.

For some years, there has taken place in HMRC buildings very little work that is directly connected to the local community; some contributions have alluded to that this morning. Further, many customers now choose to telephone HMRC offices or to use the internet to file returns or make claims. Throughout the UK, HMRC estimates that it has up to 40 per cent. too much accommodation, but it is right for HMRC to keep its network of inquiry centres, as is happening. I hope that hon. Members accept that we value the face-to-face contact that we know the public appreciate, and HMRC is maintaining it. However, it is also right for HMRC senior management to examine their back-office operations to ensure that they are run as efficiently and effectively as possible. In some work areas, that is best done by concentrating work in large units, but in others, a more mobile work force is seen as the best solution to customer needs.

There must be an emphasis on improving compliance by focusing resources on the risks that HMRC deals with regarding different taxes and customer groups.

Mr. Donaldson: The Minister knows from her previous role, in Northern Ireland, that for members of the security forces we have very special arrangements to protect their identity. She knows that those special arrangements for HMRC are located at one of its facilities in Northern Ireland. I do not expect her to expand in detail on the way in which she intends to handle that very special part of HMRC's work in Northern Ireland in the context of the review. However, can she assure me that those special arrangements for police officers, soldiers, prison staff and others whose security must be protected will continue, that the arrangements will be dealt with not in the context of the wider review and then reconfigured, but in a ring-fenced way, and that they will be properly protected and, I hope, maintained?

Jane Kennedy: The right hon. Gentleman makes a valid point that I shall personally look into as a result of his drawing it to my attention today. If he will allow me, having looked into it, I shall write to him to give him the reassurance that he seeks.

I am happy to confirm that, whatever the outcome of the review for the offices in Northern Ireland, the proposals for the remainder of Northern Ireland, including Newry, which was mentioned earlier, will be subject to a full—that is to say, a public—equality impact assessment. Inquiry centre services will be maintained in their current locations or nearby, and staff will not be required to commute to an office beyond reasonable daily travel. There is an established process for managers and staff to discuss options for their future employment dependent on the outcome of the review. The process is open, transparent and accessible to the trade unions.

David Simpson: When you say that they will not be expected to travel a distance that is unreasonable, could you elaborate—

John Bercow (in the Chair): Order. I apologise for interrupting the hon. Gentleman, but he has on two occasions used "you". He will know that I play no part in these proceedings at all.

David Simpson: I appreciate that. Thank you for pointing it out, Mr. Bercow. I apologise.

The whole moving of jobs issue that the Government are trying to force on Northern Ireland surely flies in the face of Government policy. I raised it earlier with the hon. Member for Foyle (Mark Durkan) in relation to trying to encourage people back to work. Surely it flies in the face of what the Government have been trying to do for a number of months.

Jane Kennedy: I know that the hon. Gentleman is making a serious point, but I do not believe that that is the case. Having been an employment Minister in Northern Ireland, I am familiar with the issues, and I do not believe that the changes proposed for the Belfast urban centre and the review respecting the other HMRC offices will have an impact on employment, although I am aware of his genuine concerns for work in Northern Ireland, as well as those mentioned by other hon. Members.

The hon. Member for South-West Hertfordshire (Mr. Gauke) asked about the processing of VAT registration. I have responded several times to written questions and other questions on that issue, and he will know that the process has improved, so I shall not take up time discussing it now. This debate is not strictly about that subject, although we are talking about HMRC performance in a broader sense.

Several hon. Members are interested in the matter of pressures on individual staff members. Proposals to rationalise work and office space across Belfast, Antrim and Lisburn were put forward for consultation in September last year. Staff, trade unions, Members of Parliament and local authorities have contributed to that consultation, providing information on travel routes, economic interests in the local areas, the position of other employers and Departments and individual circumstances that should be taken into account. A report summarising those responses was published in January this year and is available. HMRC is considering all the information provided during the consultation in arriving at its recommendations.

Dr. McCrea: Minister, could you tell us how the process in which you are involved—certainly in relation to the offices outside Belfast—sits comfortably with the Assembly's anti-poverty strategy and the decentralisation of work?

John Bercow (in the Chair): Order. Before the Minister replies, and so that I am not open to the charge of discrimination between one Member and another, I must say to the hon. Gentleman that he too should not use the word "you". I hope that both hon. Members will take my rebuke in the constructive spirit in which it was intended. I call the Minister.

Jane Kennedy: I say to the House in all sincerity that the changes being made and the improvements that will follow to HMRC's processes for responding to customers will help in dealing with poverty, particularly now that HMRC plays such an important role in the administration of tax credits. The administration of tax credits has been much criticised in recent years, and the work being done to improve it will bring dividends. If there are concerns about how the plans will sit with the Northern Ireland Assembly, I am happy to visit to see what can be done to ensure that the administration in Northern Ireland follows as closely as possible Government policy elsewhere in Britain. I am happy to take that discussion there to consider what impact the changes might have on Northern Ireland.

I shall briefly outline some of the facts being considered for the Belfast centre. HMRC has nine offices in the Belfast urban centre: seven in the city, one in Antrim and one in Lisburn, accommodating some 1,700 staff in total. HMRC expects to need roughly the same number of staff across the entire urban centre, including those offices, in 2011. Analysis of staff travel times suggests that our Belfast city centre offices are all within walking distance of each other. Any rationalisation of buildings therefore should not pose serious problems in terms of commuting times. In moving to an efficient structure, HMRC is confident that the majority of staff can be relocated nearby with their own or similar work.

Before the right hon. Member for Lagan Valley (Mr. Donaldson) jumps to his feet—I am immediately conscious of his comments—I say to him that I recall the M1 well, having travelled it many times. Even in a police car, with all the advantages that that brings, it can take inordinately long. I understand the concerns of people working outside the city centre about any extra travel time they may face, particularly those who depend on public transport. Even though the analysis undertaken by HMRC to support its recommendations will be extensive, individual staff members will have the opportunity to discuss their circumstances with managers before any decision is taken on their suitability to relocate. Throughout the programme, senior management in HMRC are committed to being open with staff.

Mr. Gregory Campbell: The Minister has mentioned the test of reasonableness several times in relation to staff relocations. Does she think that it is reasonable for female staff living on the north coast, many of whom

have caring responsibilities, to have to leave home before 7 am and arrive back after 7 pm in order to work at HMRC offices in Belfast?

Jane Kennedy: Travelling from Londonderry to Belfast is a long journey, but there are many people in south-east England who commute. *[Interruption.]* The comparison is germane. I am reluctant to say that such a commute is unreasonable, full stop. Some may make that choice for career purposes, and I would not want to suggest that they are making an unreasonable decision. All the issues will be considered, and individual staff members' personal circumstances will be taken into account by their managers as the review proceeds, but we are in the earliest stages. We have not even begun the review of the offices about which the hon. Gentleman is particularly concerned, but I know that he will continue to make such representations.

Managers are being open with staff, explaining the options available to individuals and exploring how their expectations can be matched with the need to make the operations more efficient and effective. The decisions are not easy, and they can be made only after all the specific facts are known. Once decisions have been announced in the Belfast urban centre, as elsewhere, HMRC will begin relocating staff and releasing surplus accommodation. As I said, I expect the review of clusters and individual locations—the remainder of HMRC locations in Northern Ireland—to begin within the next couple of months. The hon. Gentleman has expressed concerns about the review of individual locations, several of which have been mentioned. I reassure him and other Members that the full equality impact assessment of all the proposals will be undertaken to identify—I have always found this a comprehensive list—any impacts on people's racial group, age, marital status, number of dependants, sexual orientation, religious beliefs or, in Northern Ireland, political opinion. It is always worth reminding the House of that.

The hon. Member for Southport (Dr. Pugh) raised a couple of points to which I should like to respond, because I do not often get the opportunity and I have a minute or two now. He criticised the lean process. I assure him that I am confident that in Northern Ireland, as elsewhere, the lean process will bring benefits. It works. I have met staff who have gone through the process, and I can see the benefits to management in terms of the ability to bring about improved customer experience by speeding up how HMRC responds to its work load. I am confident that the process will bring new opportunities for staff.

The hon. Member for South-West Hertfordshire was right to draw attention to the assessment of morale in HMRC. It is a cause of concern to me. I suggest that sometimes delay in such processes undermines morale even further. It is important to staff to have some certainty about where they will be and what they will be doing, and that is what I hope HMRC's review will bring.

The hon. Member for East Londonderry asked about redundancies. HMRC cannot guarantee that there will be no compulsory redundancies or compulsory moves of home, but its intention is to avoid both if reasonably possible. HMRC is working with staff and unions to minimise the risk of compulsory redundancy, but it cannot guarantee that that will not happen, nor do I think the House would wish to impose such a limitation on it.

Mark Durkan: The Minister was speaking about the morale implications of delay, and I accept her point. Does she accept that in the context of what she is now billing as two reviews in Northern Ireland, there is a morale hit and frustration about what people see as cynical staging? Doing the Belfast urban review first and guaranteeing that the aggregate number of jobs in the Belfast area will remain roughly the same means that the entire efficiency hit on job numbers—about 500—will affect the rest of Northern Ireland. That sort of delay, or pretend delay, which is effectively cynical staging, hits morale big time.

Jane Kennedy: The hon. Gentleman has his point of view. He may call it cynical staging, but HMRC has taken a pragmatic approach that has worked and has paid dividends elsewhere in the UK as it has carried this programme forward. If hon. Members are concerned about the impact, I encourage them to visit regions that have gone through the process.

Dr. Pugh: There is one point that the Minister has not picked up. I recognise that the exercise should be transparent, as she said, and thorough. The document that I received about my tax office shows how thorough it has been on the personnel side, but it is slightly light on the financial side. When making counter-proposals, one needs to know the financial cost of any moves that are being made. One therefore needs to know the accommodation costs that might be imposed not only for the offices that are being closed, or are scheduled for closure, but for those that are being kept open to draw comparisons. If the unions are to make counter-proposals, they need that sort of data—otherwise, the exercise is not open and transparent.

Jane Kennedy: The hon. Gentleman will know that when decisions are announced, financial assessments are also released. It is worth the House remembering that HMRC has saved the not inconsiderable sum of £27 million as a result of the process. It should be congratulated on that and encouraged to make further progress. This long-term programme will deliver a more responsive and efficient service for taxpayers and HMRC customers. I hope that hon. Members will look back on it and say, "Yes, we can see the benefits of what has happened."

10.42 am

Sitting suspended.

Dry Macular Degeneration

11 am

Anne Main (St. Albans) (Con): It is delightful to serve under your careful stewardship this morning, Mr. Bercow.

This debate is about dry macular degeneration. Macular degeneration is the leading cause of vision loss in people over 65 in the UK. Research published in the *British Journal of Ophthalmology* in 2002 suggested that more than 200,000 people had a condition severe enough to be registered but many more had a less severe form of the disease. In an article in *The Times* in 2007, Dr. Thomas Stuttaford, an industry expert, said that macular degeneration affected more than 500,000 people in the UK. That is a significant number, and, with an ageing population, it is probably increasing.

Tom Bembridge, the chief executive of the Macular Disease Society, said during a discussion that I had with him recently that one of the most pressing issues is the referral time for those diagnosed with low-vision problems. When someone leaves a clinic, it takes some time for the services that they need to kick in, and there is a particular lack of a joined-up approach between social services and the national health service in respect of this disease. I shall expand on that later.

Tom Bembridge queries what the Government are doing to ensure that there is no postcode lottery for provisional support following a low-vision assessment. There are flagship projects in Camden and Islington, and there has been a project pilot in Gateshead to attempt a joined-up approach by the NHS and social services. The Macular Disease Society would like them to be replicated throughout the country. Part of the problem with equipment is that its supply is down to social services. It has been identified that this major problem falls into the gap between health and social provision, and there is a great belief that there should be a more joined-up approach by the NHS and the Department of Health.

Dry macular degeneration is the most common form of the disease. It occurs when a build-up of waste material and a lack of proper nutrition cause a gradual deterioration of the macula, usually over many years. Dry macular degeneration accounts for 80 per cent. of cases. Wet macular degeneration is less common and occurs when tiny new abnormal blood vessels begin to grow behind the retina towards the macula. They usually leak blood and fluid, damaging the macula and causing a more rapid loss of central vision. That form of the disease has received much high-profile coverage in the national and local press because sufferers face a postcode lottery for funding for the latest drug treatments to ease their symptoms.

I do not wish to dwell on that form of the condition because many people have championed the cause, although I would like to relate that my surgery—I am sure that it is not the only one—has several sad cases of people with wet macular degeneration in one eye and dry macular degeneration in the other eye who have been told that they need to go blind before they can access treatment for the wet condition. Of course, there is the awful time bomb of the wet eye going first and those people being left with only the untreatable dry eye. It is unacceptable to withhold treatment for this preventable form of blindness.

However, I want to focus on those with dry macular degeneration. They form the majority of sufferers but do not seem to be able to grab headlines in the way that wet macular suffers have recently. They face a world of increasing sightlessness. They form the majority of victims but get the least help.

Yesterday, I addressed the annual general meeting of the Macular Disease Society club in St. Albans. It is a very active group. It produces its own leaflets and literature and meets regularly. This large and active club was formed out of desperation; it was not a mutual coming together of like-minded souls. Ken Nutty MBE, the founder of the group, was himself diagnosed with dry macular degeneration, and his woeful experience was a common one: he received little advice on what to expect, doctors were not particularly well informed about his disease, and, after a considerable wait, social services gave him a few basic aids. He graphically describes to the group—he shares his experience with many other people—his depression and frustration at his situation. Unlike many people, he decided to put his anger into action and form a mutual support group.

The St. Albans macular degeneration group was formed in 2002 out of frustration at the lack of information and support. It is a catalyst to try to change the priorities for the treatment of MD sufferers. The group receives inquiries from fellow sufferers across the UK who are anxious to get information and advice. I brought letters with me from people in Andover and other areas of the country who do not have a support society such as the one that Ken has managed to offer in St. Albans. Those sufferers are anxious to get information but do not know where to turn.

In 2004, Mr. Nutty, the leader of the group, started lobbying the Government for a reduction in the cost of closed circuit television readers, and improved accessibility to them. They are not considered a luxury by the many people who suffer from dry macular degeneration. They are considered an aid that makes their life bearable and, indeed, enjoyable and pleasurable again. The rationale is that the readers restore the quality of life for macular degeneration patients, but they cost the individual more than £2,000 if they have to buy them.

Mr. Nutty is a delightful, feisty, articulate 90-year-old. I am sorry to say that yesterday was his last meeting. His sight has become so poor and his health so frail that he is now emigrating to Canada to live with his son for support. His legacy is the fact that he has galvanised many people into taking action to lobby on behalf of fellow sufferers. He is annoyed at what he believes is the complacency of this Government over their plight, and I agree with him.

I made notes of a conversation that I had with Mr. Nutty. His biggest gripe is that macular degeneration sufferers are provided with only a piece of hand-held magnifying glass-style equipment. I urge Ministers, if they have not used one, to try doing so. The device gives a very small field of vision that makes reading less of a pleasure, if not an impossibility, for many people. Ken feels that if sufferers were treated in the same way as those who have hearing problems or who need hip replacements, they would have better access to the best services.

Wet and dry sufferers receive little assistance until they are almost blind. They are then provided with simple hand-held magnifiers, and sometimes a piece of

equipment akin to a pair of field glasses. Those things often break and are often useless. Ken and other sufferers think that CCTV-style cameras are needed. They help them to live more independent lives. Indeed, if Ken lived in France, Germany, Holland, Belgium, Denmark, Canada or one of many other countries, two thirds of the cost of such a unit—a black-and-white unit—would be paid for by the Government.

Ken has managed to campaign successfully for CCTV units to be put into libraries in Hertfordshire. Thanks to him, there are now 24 units across the constituencies of Hertfordshire MPs, including mine and that of my hon. Friend the Member for Hemel Hempstead (Mike Penning), who has attended this debate. Ken believes that he and other sufferers require such units. He feels that macular degeneration sufferers are being discriminated against, because some of the units are no more expensive than some digital hearing aids. In fact, if there were a bulk purchase or commitment to the devices, the cost would drop.

Ken's other campaign has been to lobby the Government on the waiting times between being diagnosed and receiving assessment and support from social services. The situation was confirmed by the Macular Disease Society. In fact, a worrying case was outlined to me in the meeting yesterday. A chap who was diagnosed with macular degeneration received very little advice but was savvy enough to look up his condition on the internet. He realised that he had a brief opportunity to get laser treatment. Unfortunately, he had to sell his car to access the treatment, only to be offered a treatment slot some several months later, by which time the golden window of opportunity for treatment for wet would be missed.

The lag between diagnosis and assessment for both sorts of macular degeneration is woeful. A few years ago, some patients were waiting up to nine months to be seen by social services. Some of the waiting times have decreased, but outcomes are still patchy.

Macular degeneration should concern all of us. Hon. Members may note that I am wearing glasses today—age-related sight problems. Many of us will be grabbing them on and off as we grow older. None of us seem to think about the fact that we will be stuck with ineffective readers. As the population ages, there will be even more people suffering from macular degeneration. Ken started his club in 2002 with just 17 local members. There are now 97 on his books, and he regularly has 60-plus at his meetings, as he did yesterday.

Macular degeneration is not only a personal tragedy, but has cost implications for the health service if it is not properly managed. The Audit Commission noted that 190,000 blind and partially sighted people were admitted to hospital in 1999 as a result of falls. The cost to the NHS was estimated at £270 million. Given that huge cost, one would think that it would be vital to ensure that as much as possible is done to assist with sight, but an investigation into equipment for disabled people in England and Wales carried out by the Audit Commission in 2000 found a huge variety in provision.

The Audit Commission ordered a full review and reorganisation of community equipment services, but despite that and other calls for improvements from, among others, the Association of Directors of Social Services, evidence shows that there are still major problems with the current system. Those with sight loss face increasing difficulties gaining access to essential items of equipment, including unavailability of items due to funding restrictions, long waiting periods before items are even delivered and a lack of information and training about how to make the best use of equipment when it is eventually provided.

To establish the progress made by implementing the Audit Commission's recommendations, the Royal National Institute of Blind People carried out research in 2005 into the experiences of 500 blind and partially sighted people. The evidence from the RNIB's research shows that blind and partially sighted people are being failed by local authorities at every stage of the process, from the initial referral for assessment to the delivery of essential equipment. The research also shows that access to even the most basic items is often denied and items such as CCTV monitors or scanners, which are vital for communication, are rarely provided by local authorities. I urge the Minister to dwell on that failure and specifically to address in his reply the fact that delivering such services through social services, which are given the job of providing such equipment, may not be the best approach.

I should like the Minister to consider a working partnership with social services, as has been demonstrated in other areas, to ensure proper delivery of such services to sufferers of dry macular degeneration, rather than just hoping that local areas are doing their best. As has patently been shown, they are not doing their best. Quite often, local authorities are doing what is cheapest.

I remind the Minister of the answer given to my hon. Friend the Member for Witney in 2004. David Cameron asked the Secretary of State for Health:

"what representations he has received on making magnifying equipment more easily available"—[*Official Report*, 14 September 2004; Vol. 424, c. 1495W.]

John Bercow (in the Chair): Order. I gently say to the hon. Lady that although she is right to refer to her then hon. Friend—now right hon. Friend—the Member for Witney (Mr. Cameron), she should not refer to him by name.

Anne Main: I take your guidance; I am sorry, Mr. Bercow.

The brief answer to the question asked by my right hon. Friend the Member for Witney stated that there had been several representations from hon. Members and the RNIB about

"the provision of closed circuit television (CCTV) readers to help visually impaired people with certain tasks",

but

"The provision of CCTVs and other non-optical aids is a decision that lies with social services departments as they are considered to be aids to daily living. Being registered as visually impaired is not a pre-requisite to receiving services. Social services departments are responsible for assessing an individual's needs and for arranging services to meet those needs; this could include the provision of CCTV. However, hand-held, stand and spectacle-mounted magnifiers are easier to use, more widely available, more accessible and more cost effective."

I assert, and Mr. Nutty and his group assert, that what is really driving the lack of adequate provision of CCTV monitors, which make life so much easier for people, is the cost element, which is leading to patchy provision. The then Minister of State, Department of Health, on behalf of the Secretary of State, went on to say:

[Anne Main]

"Encouragement is being given to hospital and social service departments to work more closely together, and perhaps operate a joint budget to allow more flexibility in funding equipment, and provide a wider range of services and equipment than has hitherto been available. The overall level of funding for aids to vision will, however, rest with primary care trusts and local councils."—[*Official Report*, 14 September 2004; Vol. 424, c. 1495W-1496W.]

I should like the Minister to examine that statement, to see whether any encouragement was given and, perhaps, to give us an update on the impact of that encouragement, because I believe, as do macular degeneration sufferers, that little has changed since that answer was given.

In 2006, NHS South West managers spent nearly £400,000 on sculpture for mental health units and a further £100,000 on research into whether anybody liked it. That is an interesting use of public money. Mr. Nutty would say that better services could be provided for those who are struggling to see. Similarly, in 2003, NHS trusts all over the country introduced schemes to teach senior citizens the right way to wear slippers and now Hull is offering replacement of worn-out slippers with new, professionally fitted slippers. Hon. Members might ask how that is relevant to macular degeneration. As I said earlier, loss of sight means that many people fall and end up in hospital. Surely, giving people vision aids would be more useful than slippers. Of course, some would beg to differ. However, there is money in the system for some rather more dubious schemes that, perhaps, affect fewer people than are affected by going blind. In one of the more controversial examples, those who are troubled about losing their virginity can access a hymen-replacement repair: more than 24 of those were done in 2005-06. Those whose sex life is flagging due to age can access vacuum pump devices for erectile dysfunction—again, on the NHS.

I mentioned some of those schemes to Mr. Nutty and his group yesterday and they found them quite amusing, but they might say that although those things are not essential, they improve the quality of life. Mr. Nutty would argue that CCTV readers would improve the quality of the lives of dry macular degeneration sufferers, yet they are being denied them. Why can certain parts of the NHS give away funding to services that do not necessarily treat symptoms, although they aid or help people in their lives and relationships, while those with dry macular degeneration are given the cheapest and most accessible option?

I remind the Minister that, in 2006, the then Health Minister promised free trampolining and tango lessons for the unfit as part of the Government's attempt to tackle obesity, which costs the NHS £7 billion a year. Perhaps the Minister will say today that a small amount of that money could go to the 500,000 sufferers of dry macular degeneration. If all the other causes that I have mentioned can attract funding and high-profile support, why are my constituents and those of other hon. Members left scrabbling around with equipment that is undoubtedly inferior?

The RNIB says that blind and partially sighted people are being poorly served by the community equipment system. There are pockets of good practice—only pockets but in most areas people are being given a very limited range of items that are almost always low cost. The need for essential equipment supporting independent living, communication and mobility is not being met. The RNIB believes, as I do, that that should be addressed as a matter of urgency. The provision of the right equipment at the right time, with the right training, would contribute towards the independence and quality of life of blind and partially sighted people. Surely, that is what the other examples that I have mentioned do.

The RNIB also believes that better provision would help prevent accidents and early entry into residential care, providing cost savings. It estimates that only 8 per cent. of visually impaired people have access to a CCTV unit—it is no wonder that such units do not come down significantly in price—and a quarter of those have had to pay for the item themselves.

In his response to Mr. Nutty's campaign, the then Health Minister said:

"I have recently received many representations from people with macular degeneration...at present there is no allowance specifically for non-optical low vision aids within the money granted to NHS hospital trusts".

Yet as I said earlier, there are supposed to be talks about having some sort of joint budgeting service. Again, I press the Minister to tell me what has happened to that aim. Mr. Nutty, accompanied by the Bishop of St. Albans, met the then Health Minister in 2005 and felt that, at that meeting, they had both received assurances that things would improve. However, things have not improved.

A survey by the RNIB in 2004-05 showed that of the 2 million people with sight loss, approximately 380,000 are registered blind or partially sighted. Many of those people are living in poverty. Some 73 per cent. of older people with sight loss surveyed by the RNIB lived in poverty—in line with the Government's definition of poverty—compared with 27 per cent. of all pensioners. Sight loss has many implications.

Economic deprivation is, equally, a major factor for those of employment age due to the high levels of unemployment among people with sight loss. Three out of four blind and partially sighted people of working age are not in paid employment. Isolation and lack of mobility is a major problem, with 76 per cent. of people with sight loss saying that they get out of the house never, rarely or less than before they lost their sight. If people do not visit those people and they cannot get out, then how much more miserable is it for them to try to occupy their time by reading a novel or a newspaper through a 3 in by 2 in spyglass?

Hospitals and social services struggle most. Twenty per cent. of hospitals and social services reported that patients waited between two and six months to be assessed for optical devices. Those results show that one person in 10 waits between two and six months before being assessed, and the picture is similar for assessments regarding home adaptations and daily living aids. We are failing people with dry macular degeneration.

Ken said yesterday, as he has said on many occasions, that his main passion is that

"these people"—

people who could be us—

"should not be left on their own to cope with just this hand-held magnifier."

He said that some of those people are ladies aged 80-plus who lost their loved ones in the war. Many of them have paid into the system and feel that they get very little back. He wants to know,

"who is caring about them?",

and wants me to convey the anger and frustration felt by his group. He wants me to ask the Minister today to say whether there will be improvements in future.

11.19 am

The Parliamentary Under-Secretary of State for Health (Mr. Ivan Lewis): It is always a privilege to serve under your chairmanship, Mr. Bercow. I will not make the mistake of naming the leader of any political party—if the hon. Member for St. Albans (Anne Main) had simply said "the great leader", she would have avoided the need for Mr. Bercow to intervene.

I congratulate the hon. Lady on securing the debate. I am sure that there is tremendous consensus from all parties on the points that she has made about the impact of dry macular degeneration on the quality of people's lives. There is no doubt that we owe those who suffer from macular degeneration the best and that, too often, the system in some parts of the country does not respond to the challenges faced.

I will try to address the issues raised by the hon. Lady. My only gentle disagreement with her is that, although the Conservative party consistently talks about the importance of decentralisation and the local devolution of accountability and responsibility—both in terms of the management of public services and clinicians on the front line—Conservative Members come to the House and demand ministerial intervention from offices in Westminster and Whitehall. I gently say to her that to have that vision and view of how public services should operate nationally and then to give a slightly different impression to constituents is perhaps usual during parliamentary and constituency duties, but it is not entirely acceptable.

I accept that people such as Mr. Nutty deserve better and that they do a tremendous job in bringing together people who have similar difficulties. As well as medical intervention and the health service fulfilling its responsibilities, I believe in people who have similar challenges and conditions coming together to support one another and press public services. That is a very powerful way to achieve improvements and changes to public services. For example, you, Mr. Bercow, have been heavily involved in raising in the House the profile of the needs of disabled children and their families. As a consequence of the pressure from parents and families who are supported by parliamentarians, we have a much more progressive and advanced approach to meeting the needs of those families. The concept of mutual support and of people who use public services applying pressure to improve standards and quality is incredibly important.

The hon. Lady asked about community equipment services. Last year, we recognised that community equipment services in most parts of the country are not working well—they are not efficient and they do not give people speedy access to the equipment that they need. We believe that, if the systems that underpin the provision of community equipment are reorganised, available resources will be used more effectively and people will have speedier access to equipment. That is why we have started reforming the provision of community equipment and, in certain areas, have trialled a new model, called the retail model, which essentially attempts to simplify the whole process—from assessment to receiving community equipment. In the next few months, we hope to roll out that model throughout the country. The difficulty is that to impose a one-size-fits-all system on every local authority is simply not within our gift, so we have trialled best practice in simplifying the process—from assessment to delivering the equipment that people need. We believe that we have identified a model that does that. I would have hoped that the hon. Lady had asked the local authority—the local NHS—in her locality whether it intends to apply the principles of the retail community equipment model, so that people such as Mr. Nutty and those in a similar position with dry macular degeneration have access to the equipment that they need.

There is also a resource issue, and the hon. Lady asked all sorts of questions about the way in which NHS resources are deployed. The vast bulk of NHS resources have been deployed to create a situation in which waiting times and lists are at a record low. Some 90 per cent. of people who actually use the NHS, rather than simply reading about it, say that they have a high level of satisfaction with the service that they have received. There are more doctors and nurses than ever before. Advances have been made in the NHS, and the hon. Lady should therefore have been a little more balanced in her presentation. On her point about the use of resources, it is important to reform and reorganise the system to deal with the issue of community equipment and to make the best use of resources.

Anne Main: I accept that there must be prioritisation in the use of resources; as the Minister says, decisions have to be made. May I ask for his view on whether CCTVs should be made available?

Mr. Lewis: We cannot have the following approach to the NHS: make the money available, allow local primary care trusts to make the right commissioning decisions based on their population needs and on non-negotiable national priorities, as well as allowing them to make the decisions about the needs of their local populations, and then stand up in the House and issue diktats on certain types of equipment. Having studied the new approach to community equipment, I really believe that, if local authorities and primary care trusts in every part of the country adopted the new model, it would free up considerable resources. I assume that those resources could then be used to purchase the equipment that people require for their individual needs. I am not a clinician, and although it would make me incredibly popular to make sweeping statements that every individual should have access to a particular type of equipment, I am not sure that it is appropriate for a Minister to make those kind of commitments.

If the quality of life of someone with dry macular degeneration would be clearly and considerably enhanced and improved as a consequence of having access to a certain piece of equipment, the local NHS should do everything possible to make that equipment available. However, I do not run every local primary care trust or local authority. We have to accept that we ask people in those organisations—leaders, managers and commissioners—to make difficult decisions.

Anne Main: I would just like a little clarity. The Minister says that, if the equipment would make people's lives better, the local NHS trusts should make it available, but how does the funding work in relation to social services and providing the equipment?

John Bercow (in the Chair): Order. I inform the Minister that less than two and a half minutes remain.

Mr. Lewis: The issue is about assessing each individual's needs and considering what would make the most difference to enhancing that person's quality of life—in this case, a person's ability to live independently and have as full a life as possible. Obviously, if the determination is that a particular piece of equipment is required, the people making the decision have to consider the available resources and make the right decision.

Part of getting the best use of resources is having a far more joined-up approach between the local NHS and the local authority. I urge the hon. Lady to ask the local authority and the primary care trusts in her local community some hard questions not only about their processes, practices and policies as independent organisations, but about how they propose to have an integrated approach to meeting the needs of a whole range of groups—in this context, people with dry macular degeneration. She should challenge local commissioners in the local authority and primary care trust. Instead of asking Ministers in Westminster and Whitehall to issue central diktats, she should use her influence and her passion on this issue to ask fundamental questions of her local authority and primary care trust.

The hon. Lady obviously genuinely cares about the matter and has spent a lot of time with people who have articulated the difference that could be made to their quality of life. To support that, the Government have instituted a radical reform of the way in which community equipment is provided, and I hope that that will lead to change not just in a few local authorities and primary care trusts, but throughout the country. I believe that people with dry macular degeneration deserve the best possible support and the best quality of life. It is clear what we expect of local PCTs and authorities in the commissioning and provision of equipment.

11.30 am

Sitting suspended until Four o'clock.

Window Blinds

4 pm

Gordon Banks (Ochil and South Perthshire) (Lab): It is good to have you in the Chair, Mr. Bercow. To save your blushes, I shall not go to the lengths that two of my colleagues went to yesterday in welcoming you to the Chair.

Today there has been an important piece of business in the House. This debate might lack the grandeur of the Budget, but in some people's eyes it is much more important. Budgets are important, but they are not a matter of life and death. This issue is a matter of life and death to some people following the debate, although others might think it trivial and see looped blind cords as just another household object that they might not even notice.

It is commonly accepted that the household is one of the most dangerous places, and is where the vast majority of accidents occur. When one thinks of household accidents, one thinks of people falling down stairs, being scalded with water or slipping in the bath, but looped blind cords are also a danger. For those who do not know what they are, and perhaps imagine them to be more grandiose than the words suggest, let me explain. They are the cords used to raise, lower or tilt window blinds, and they are usually looped. Some blinds have separate cord designs, but many people are reluctant to use them as they can lead to confusion when operating blinds. Also, separate cords can be tied into a loop, thereby causing the same danger as looped blind cords.

The real issue is not ease of use, but the threat that looped blind cords can pose to young and vulnerable people. A chilling statistic is the estimate that 20 children in the United Kingdom have lost their lives in the past 10 years because of looped blind cords. I confess that I had never considered the dangers of looped blind cords before, and I am sure that that is true of many. When I discussed the issue with my wife, she told me that when my children, who are now adults, were tiny, she tied up the blind cords because she was aware of the inherent danger that they posed. Perhaps that shows how strong a mother's instincts can be.

The issue has been forcefully highlighted in my constituency by the tragic death of two-year-old toddler Muireann McLaughlin, who died on 5 February this year when she became tangled in a window blind cord in her bedroom. The statistics show that that incident was by no means isolated. In 2004, another toddler lost his life when he became tangled in a window blind cord in Dalgety bay, in Fife, which is only 25 miles from where Muireann lost her life. Last year, a 10-year-old from Uddingston, Lanarkshire, died in the same manner. Families and communities have been rocked by those tragedies.

I pay tribute to the *Alloa Advertiser* newspaper, in my constituency, which is running a local campaign and has launched a petition to ban looped blind cords. The petition has more than 2,000 signatures and is growing by the hour. The other day, I read some of the comments on this issue, and saw that there is support in all parts of the UK for a ban, and even international support in the United States, Canada, Australia, France, Germany, Norway and New Zealand. Scottish councils are also signing up and supporting the campaign.

Many of us will be able to cast our minds back to when our children were young and we looked around our homes for dangers. The stairs, cooker, kettle and cleaning materials are obvious dangers to keep away from young children, but it can be only luck that incidents have been avoided by millions of families. Tragically, families such as those in my constituency have had their children taken from them far too soon. I have spoken to Muireann's grandfather, and I do not imagine that anyone can understand the hurt and devastation that the family is feeling. It must be difficult for them to come forward at this time, but they have issued a call to the industry and the Government to tackle this issue. It is sad that tragedies such as Muireann's case in Menstrie have to occur before we take up such issues and call for a ban. I hope that the Minister and the Government will listen to those calls and will give a commitment here, today, that they will begin the process of banning looped blind cords.

I am not an MP who likes to ban things just for the sake and the fun of it, and I have heard from some quarters that such a ban would be another example of the nanny state, but I cannot accept that argument, as it is surely the first duty of a Government to protect their citizens. Are we living up to that responsibility if, on average, two children a year in the UK lose their lives because of a design factor? That is an unacceptable figure, and we must do more—or, more accurately, we must do something.

We in the UK have fallen behind: both the US and Australia have banned looped blind cords, the former more than 10 years ago. A ban in this country is long overdue, and I have been pursuing Baroness Morgan, who has responsibility for the British Standards Institution, for a meeting. Unfortunately, I have yet to receive a reply from her, but I am glad that my colleague the Minister is here to respond to the debate. I firmly believe that the best way to address the issue is to create a new British standard for the blind industry that removes looped cords. However, I will stand corrected if my hon. Friend feels that there is a better way of effecting change.

I have mentioned the US, and it might be useful to give some background to what happened there in the hope that it will be replicated here. A study by the USA's Consumer Product Safety Commission estimated that the total number of window cord strangulations in the US between 1981 and 1995 was 359—nearly one child a fortnight. In 2002, the campaign group, Parents for Window Blind Safety, was set up, and it still monitors the blind market for possible dangers. It aims to educate the public, support affected families and assist in correcting manufacturing defects. A ban on looped blind cords would not be a silver bullet that would solve all the problems: we need regular monitoring of the industry to ensure that it is as safe as it can be.

No one can eliminate accidents, but we can limit the chance of them occurring. We need to remain vigilant and to strive always for safer products in all walks of life. I looked at the Parents for Window Blind Safety web page when I was writing my speech, and I was very moved by the pictures of the young children, mostly toddlers, who have lost their lives. I thought to myself, "What an absolute waste of life. What might those children have grown into if they had been given the opportunity?" Each child had their own unique story and background, but, sadly, the outcome was the same for all of them. If a ban can prevent just one such tragic incident from occurring, it will be worth while.

It is disappointing that the industry has not moved to solve the issue voluntarily, as I have no doubt that it will be aware of what its counterparts are doing in America and Australia. I hope that public awareness of the campaign will encourage the industry to consider the issue, but there will always be manufacturers who try to increase their turnover by using cheaper designs. That is why I believe that a universal UK standard is necessary for the safety of toddlers and to ensure a level playing field in the industry. Surely, there must be a safer way of raising a blind than using a looped cord, and it cannot be beyond the wit of UK design to invent a safer, but effective, method. I hope that we can demonstrate some leadership here today. Families are looking to the Minister to show the will and desire to tackle the issue. I know that Muireann's family are watching the debate right now, and I hope that what they hear meets their expectations.

On Monday morning, I met the manufacturer of the blinds that were fitted in the McLaughlins' home. I met a man who was distraught and who blamed himself in the days after the tragedy. He had questions running through his mind for weeks about whether he could have done anything to avoid the tragedy. He did not come up with any answers. This was a man who was following the acceptable standards in the UK. He cannot and should not be blamed. It is the industry as a whole and the British Standards Institution that need to address the issue. When a tragedy occurs, such as the one in Menstrie, there are always people left behind who are gripped by worry and angst. We should spare a thought for them, too.

Change would be a minimal imposition on the industry. Removing looped blind cords will make no difference to the function of the blind. The industry could easily make the transition to protect the young and vulnerable in our society. The solution must be a UK-wide ban on such cords at the point of manufacture and import into the United Kingdom. However, that will still leave millions of such cords in our homes. In a sense, they are a ticking time bomb, and, sadly, there is every chance that they could cause another death, even if we banished them here today. We need to ensure that the dangers are communicated to all corners of the UK in the hope that parents, and those caring for vulnerable people, will at least cut the blind cords now, or replace them with tension snap mechanisms. What guarantee do we have that they will do that? There is none. That is why action is required at a national level to ensure that blind manufacturers are forced to change the design.

Blind manufacturers and installers provide some guidance to point out the risks to new buyers, but is that always the case? Who can answer that question? Do parents always take notice of such guidance? Who can answer that question? Do parents always have the time or the inclination to attach hooks to keep the cords out of reach of tiny hands? We cannot rely on such flimsy guidance and hope that it will be adhered to. We need to act from the top. I have heard some people say that banning these cords will mean little as there are so many other dangers in the household. Although I agree that there are many such dangers, we need to do all that we can to limit them. Looped blind cords serve no specific

[Gordon Banks]

purpose that cannot be designed out and changed easily into another type of mechanism, most importantly into one that is less dangerous. We need to eliminate needless dangers and to remain vigilant.

I said previously that the best way to address the issue is to create a new British standard. The BSI is renowned worldwide, and its kitemark symbol is one that carries a great deal of trust, integrity and respect in society. Its information supply and training is second to none. I have experience of working to British standards in my previous business life before I came to the House. I have no doubt that if the BSI were requested to look into blind cords, it would be thorough and professional in implementing those instructions. The BSI has thousands of certification marks that have saved lives throughout the UK. It is my hope that it will make the blind industry, which seems to have been overlooked in some instances, much safer in future.

The BSI's motto is, "Raising standards worldwide." It appears to me that standards worldwide have been raised, but that we need to match them in the UK for all our sakes and to protect families from tragedies, such as the one that occurred in Menstrie in February. I am eager to hear what the Minister has to say on the issue. I want him to be aware that there is an air of expectancy in the country about the words that he will deliver. I hope that we will not be left disappointed. I trust that he will be happy to meet me to discuss the issue at some point in the not-too-distant future.

I also want to thank Muireann's parents for their actions following their daughter's tragic death. They donated two of their daughter's heart valves for transplant, thereby ensuring that other lives will be spared even if their daughter's could not be. I am heavily involved in a campaign to increase the number of organ donors and to move towards an opt-out system. However, the McLaughlins' courage should be recognised here today.

Before I sit down, may I urge my colleagues to show their support for this cause by adding their names to my early-day motion 1115, which calls for the designing-out of looped blind cords? It currently has the support of 25 colleagues. It will be a lot easier to sign the early-day motion and support the campaign than to stand here at some point in the future, arguing for further change after yet more tragic deaths. I thank you for your patience, Mr. Bercow, and await, with anticipation, the Minister's remarks.

4.15 pm

The Minister for Science and Innovation (Ian Pearson): It is a pleasure to serve under your chairmanship, Mr. Bercow. I thank and congratulate my hon. Friend the Member for Ochil and South Perthshire (Gordon Banks) on securing this Adjournment debate on looped blind cords and on the fair and reasonable way in which he introduced his remarks. I am, of course, aware of the recent tragedy in his constituency that prompted this debate, and I am sure that all hon. Members join me in extending their deepest sympathies to the McLaughlin family, who face such a tragic loss as a result of looped blind cords. The safety of any product is paramount, especially when the consequences of inadequate safety requirements could be tragic.

My hon. Friend suggested that, in the past 10 years, up to 20 children are reported to have lost their lives in the UK as a result of incidents involving looped blind cords. The Department for Innovation, Universities and Skills does not keep records of child deaths attributable to blind cords, so I cannot confirm whether his figure is correct. However, even one death arising from such an incident must be a cause for considerable public concern.

As my hon. Friend will appreciate, I am relatively new to this subject, but before I address the regulatory position in the UK, I shall say a few words about international comparisons. He talked a great deal about the situation in the United States and Australia. As I understand it, despite heavy campaigning in the US and Australia for the banning of such products, a complete ban did not result in either country. Instead, other means of addressing the problems were found. In the US, a meeting on the subject was held between the Consumer Product Safety Commission, to which he referred, which conducted a study on window cord strangulations, and the Window Covering Safety Council, the membership of which is made up of major US manufacturers, importers and retailers of window coverings.

Following that meeting, the WCSC agreed to eliminate loops from the production of all window cords. As I understand it, the industry reacted to the campaign and moved away from using the looped cord mechanism. The US Government did not need to place a legal prohibition on such products; the CPSC has worked with US businesses to develop a voluntary standard that sets out performance requirements and includes alternative devices and test methods to address strangulation hazards associated with all types of cords on window coverings.

In Australia, the Government issued a product safety order banning the sale of hazardous looped cords to manufacturers, installers, suppliers and retailers in Western Australia and New South Wales. However, as I understand it, looped cords continue to be allowed provided that they are 1.6 m above the base of the blind when lowered or that an alternative safety mechanism is used, such as a tension device. The order also encourages suppliers and manufacturers to provide alternatives to systems that require looped cords. In that case, a hazardous cord appears to be defined as being longer than 1.6 m, and therefore potentially within the reach of children, or without a safety mechanism, if required, such as a tension device.

Both the US and Australian policies have focused on alternative mechanisms that can be used on blinds, rather than on the imposition of a complete ban on looped cord products. They have succeeded in eliminating hazardous looped blind cords using the legal structures in those countries and by working with industry.

My hon. Friend wants to know how that compares with the UK's position. The UK has responded to safety concerns associated with blind cords. As soon as it came to light, in 2004, that the safety and performance requirements of blind cords could be improved, the UK standards committee initiated work to improve them. Through the committee, we have led Europe by putting forward amendments to European standard EN 13120 that are equivalent to the safety requirements in the US standard and in the Australian product safety order. The UK has led the way on this in Europe, and other

EU member states have accepted our proposed amendments to the current standard. It is expected that the revised standard will be ratified in July.

I should like to provide some details about the process, and I would be happy to meet my hon. Friend and officials to discuss the matter further. In the UK, looped blind cords are covered under the general product safety regulation, which sets out general safety principles. European standard EN 13120 is the standard that sets out the detailed safety requirements to support the GPSR. The Department for Business, Enterprise and Regulatory Reform is responsible for the GPSR and has been heavily involved in the development of the standard. The Department for Innovation, Universities and Skills is responsible for sponsorship of the British Standards Institution and for standardisation policy. BSI, as the UK's national standards body, represents the UK's views in Europe.

The CEN, which is the relevant European standards organisation of which BSI is a member, developed the standard that currently sets out the performance and safety requirements for internal window blinds. The performance and safety requirements will have been set by representatives from industry, consumer groups and others with an interest at the European level. In the UK, BSI set up a committee of technical experts, industry and consumer groups and Government officials to provide the UK's input. BSI's role is to facilitate the process and feed the UK position into the European forum. BERR and its officials have been heavily involved in the process and have steered its content.

As I indicated, in 2004, as soon as it was apparent to the Government that the safety requirements of the standard could be improved, the UK committee recommended a revision to EN 13120, and the subsequent amendments to the standard have introduced stronger warning requirements concerning the risk of strangulation to children. They also set requirements for design features or accessories that allow cords to be kept out of reach of children.

Gordon Banks: I fully understand that there are facilities and mechanisms in use today that will keep cords out of the way of tiny hands, but the difficulty is that they are in some way temporary. They are not integral to the blind but fixed to a wall. Something that is screwed to the wall might be taken off when someone is decorating but not put back on when they have finished decorating, therefore raising the possibility of a looped blind cord hanging down. That would result in the blind not being installed correctly to the standard. There are inherent problems with the safety mechanisms that we have today.

Ian Pearson: I appreciate the point that my hon. Friend is making. When the UK's proposed amendments were considered in Europe, they were compared with the US standard and the Australian product safety order to ensure that the European standard was as comprehensive as possible. I invite him to look at the proposed standard. It is being consulted on at present, and perhaps we can meet to discuss whether it is appropriate and proportionate.

My hon. Friend should note that the amendments to the European standard focus on the design of the product and on improving labelling on products. His contribution to the debate is important, because communicating the potential hazards of looped blind cords that are already in people's homes is important, and we have various organisations such as the Royal Society for the Prevention of Accidents that do just that.

We need to ensure that manufacturers are developing and introducing features that will improve the safety of the product. Additionally, amendments to the standard ensure that manufacturers label their products so that installers are aware of risks and how they may be managed. For example, as my hon. Friend said, blinds that have loop cords should not be near beds, cots or furniture, from where children may easily reach them. To the best of my understanding, the amendments are equivalent to the safety requirements in the US standard and the Australian product safety order.

As I indicated, the amended standard is expected to be ratified in July and will then be adopted in the UK towards the end of the year. The key feature of the process is that it is driven by consensus, which is important, in that it takes account of the views of all the relevant groups, including consumer safety groups.

The then Department of Trade and Industry, now BERR, as the guardian of the GPSR, considered the option of making regulations under section 11 of the Consumer Protection Act 1987 in order to improve the safety of blinds. The aim of the Act is to help to safeguard the consumer from products that do not reach a reasonable level of safety. The Act is important to all those with an interest in the safety of products that are put on to the market. It provides any Secretary of State with the power to introduce safety regulations if that is deemed necessary to protect the health and safety of consumers.

As BERR is the guardian of the GPSR and the policy on product safety, this is a matter for my right hon. Friend the Secretary of State for Business, Enterprise and Regulatory Reform. BERR would need to consider the full impact of any proposal to put in place a national regulation, but the normal way in which such things are done is through the GPSR.

Additionally, any proposal to introduce new regulation would be subject to the provisions in directive 98/34/EC, which has put in place a process that European member states must follow so that national technical regulations do not create a barrier to trade. I am sorry to go into so much detail, but it may help to give sufficient information to those who are passionately interested in the issue, as I know people are.

Any proposed new regulation would also need to be considered in the context of whether there is a need to go further than what is provided for in the amended standard. The updated European standard is imminent, and it will support enforcement action taken under the GPSR, so there is no immediately obvious case for introducing specific regulation.

Let me reiterate that the proposed amended standard not only tightens the warning requirements but sets out requirements for safety accessories or design features so that the cords are kept out of reach of children. Therefore, if the design of the blind requires a looped operating mechanism, the revised standard requires manufacturers to introduce means of limiting risks by incorporating them into the design of the product.

[Ian Pearson]

Improved public information is, of course, extremely important. The British Blind and Shutter Association, whose members have been part of the process to revise the standard, have been actively promoting the safety of blinds within the UK and will continue to do so. Information has been featured in direct communications to members and in articles in trade journals and general journals such as *Household, Home Parent* and *Parent and Child*, but I am sure that there is more that we can do by working with the industry.

In conclusion, I thank my hon. Friend for raising this important issue. It is right that we communicate the potential dangers of looped blind cord mechanisms. I am happy to meet him in conjunction with officials. I hope that he is reassured that the regulations that will be introduced imminently will be a significant improvement, but of course he and I will want to review them to be absolutely satisfied of that fact.

Trunk Roads (Norfolk)

4.30 pm

Mr. Henry Bellingham (North-West Norfolk) (Con): It is a great pleasure to serve under your chairmanship, Mr. Bercow.

The county of Norfolk has seen substantial economic success over the past decade or so. It has also seen significant population growth and growth in the amount of vehicles driving on its roads. I will return to that in a moment, because it is particularly relevant in respect of the A47, which is Norfolk's key east-west trunk road.

Only 25 per cent. of the A47 is dualled and much of its dualling dates back to the 1970s. For example, the King's Lynn southern bypass, the Swaffham bypass and the Dereham bypass were all built in the 1970s. We are talking about roads that were built nearly 30 years ago. Since then, we have seen the opening of the Norwich ring road, which links with an important part of the A47. Under the last Conservative Administration, the important Tilney-Wisbech stretch of the A47, which is dual carriageway, was opened. More recently, the Thorney bypass was opened. However, roughly 75 per cent. of the A47 is still single carriageway.

I should like to mention the sheer folly of building new bypasses of single carriageway standard, as happened at Narborough and Wisbech. More recently, under this Administration, we saw the absurdity of building the new Hardwick flyover to single carriageway standard.

The impact of busy single carriageway traffic rumbling through villages is significant. Let us consider some of the villages in my constituency on the route of the A47. For example, the communities of Middleton, East Winch and West Bilney are totally cut in half. Children going to school have to cross that road every day, and people going to shops and pubs face exactly the same challenge.

There is no question but that single carriageway roads are substantially more dangerous than dual carriageway roads. On Monday, a lorry turned over on the Acle straight. On Friday last week, there was a fatality on the A47 at Narborough, in the constituency of my hon. Friend the Member for South-West Norfolk (Christopher Fraser) and that road was closed for a substantial period. Of course, when busy single carriageway roads are closed, there have to be diversions. Such diversions are time-consuming and put a huge amount of strain and pressure on local villages. Often, the diversion routes are totally unsuitable. We are talking about some 23,000 vehicles a day being pushed off a busy trunk road on to minor roads.

Christopher Fraser (South-West Norfolk) (Con): The accident in my constituency, which my hon. Friend described, illustrated a wider point that we need to deal with in Norfolk. Our trunk roads are unfit and unsafe for the traffic that they carry in the 21st century. Does my hon. Friend agree that it is about time that the Government woke up to the fact that, if Norfolk is going to realise its true economic potential, they must recognise that those roads are of national, not just regional, importance and that proper upgrading and proper funding for them should come from central Government?

Mr. Bellingham: I agree entirely with my hon. Friend. I will deal with that point in a moment. The Government are forcing ever-larger growth figures for housing on Norfolk, yet they are not supplying the infrastructure that is vital for those growth figures.

I should like to quote Adrian Gunson, the Norfolk county council cabinet member for planning and transportation, who commented last week on the problems and challenges arising due to single carriageway stretches of the A47 carrying large amounts of traffic, and on the cost to the local economy of accidents that happen on those stretches of road:

"Quite apart from the loss of life and limb in accidents, any sort of incident in these single carriageway stretches of the A47 has a serious effect on travellers, businesses and surrounding communities. This is happening month after month, year after year. The cost is probably incalculable, yet many of these accidents would not have happened if the road had been dualled."

That sums it up.

I should like to deal with the growth figures for Norfolk, in respect of which one should not miss out Cambridgeshire, because the A47 goes through a substantial part of Cambridgeshire as well. Looking at the greater Norwich area, which includes Norwich city council, Broadland district council and South Norfolk district council, the figure for housing increases between 2006 and 2026 is 40,000 dwellings, and some 35,000 more jobs are anticipated. That is a huge number of extra people along an important part of a vital trunk road.

Recently, the go-ahead was given for the construction of Yarmouth's east port and outer harbour. That will lead to a substantial amount of extra freight traffic coming on to the A47. In fact, there will be a significant number of extra lorry movements, as freight traffic is concentrated on the new east port at Yarmouth, away from some of the other east coast ports in East Anglia.

The housing requirement for Fenland district council in Cambridgeshire between 2001 and 2024 is another 12,250 homes, with the market town of Wisbech expanding by more than 4,000. In Breckland, in the constituency of my hon. Friend the Member for Mid-Norfolk (Mr. Simpson), although a lot of the growth will be concentrated along the A11 corridor, there will be substantial growth in Dereham, Swaffham and Narborough. Again, a lot of extra pressure will be put on the A47.

In my constituency, the housing requirement increase for the borough council of King's Lynn and West Norfolk between 2001 and 2021 is 12,000 new homes, increasing to 14,400 by 2026. King's Lynn will be named as a regional transport node. King's Lynn is, as the Minister will know, a key centre for development and change. Furthermore, the council has submitted a bid for King's Lynn to become a new growth point. As the Minister will also be aware, we have a major brownfield site scheme, encompassing quite a lot of the old industrial area of South Lynn, which is known as the Nar Ouse millennium community housing project. The Minister will know that a development cap of 450 units has been imposed on that project by the Highways Agency, even though its total potential is 874 housing units. The agency needs to be satisfied that there will be traffic improvements before lifting the cap. Of course, the A47 is vital to that project, because the community is just on the edge of the A47 South Lynn bypass.

We are seeing already a huge amount of overload on single carriageway stretches of the A47. I have done some research into figures on vehicle movements on some of those stretches. Along the Guyhirn to Wisbech B198 stretch of the A47 in Cambridgeshire, there are more than 24,000 daily vehicle movements. I understand that the normal threshold figure for the Government to decide that a dual carriageway should be built is 11,000 vehicles, although I am sure that the Minister will correct me if I am wrong. More than 20,000 vehicles a day travel along many stretches of the A47. We need serious action on that stretch of road, the whole way from the A1, west of Peterborough, to Great Yarmouth.

I want to touch on the discussion, which has been somewhat vexed of late, about the trans-European network. The A47 from Yarmouth through to the A1 at Peterborough is part of a strategic trans-European network—the TEN—that links various European cities. However, within the TEN designation, there are also priorities axes that are more likely to receive European TEN-T funding. The A47 is not currently regarded as a priority axis.

I wrote to the Minister a while back to ask why the A47 was not a priority axis and, in particular, why it had not been made a priority axis in the light of the go-ahead for the Yarmouth outer harbour and the figures for extra housing and development that the Government have imposed on Norfolk. The Minister wrote back on 7 February, saying:

"I can confirm that the A47 between Great Yarmouth and the A1 near Peterborough remains part of the Trans-European Network (TEN-T) and this status has not been amended".

However, he did not explain why it is not a priority axis. Unless it is a priority axis, it will not attract extra funding from Europe or, possibly, even from the Government. Will he therefore answer that question today? All MPs with Norfolk constituencies regard it as an incredibly important matter.

We need from the Minister and the Government a firm commitment to dual the entire length of the road. We already have some good bypasses that are dual carriageways. If anyone goes along those stretches of dual carriageway, they will see for themselves how much safer they are, but then they will hit a bottleneck of single carriageway. We therefore need a firm commitment from the Minister.

Without making a key list of priorities, I shall note the really bad parts of the road. The Acle straight is very bad. The Blofield to North Burlingham stretch is very bad. The Middleton, East Winch and West Bilney stretch in my constituency is very bad. The North Tuddenham and eastern stretch to the west of Norwich is particularly bad. The Narborough bypass, where the accident that I mentioned took place last Friday, was absurdly and foolishly built as a single carriageway. It is a fast, new and wide stretch of road, but it is a single carriageway, so given the volume of traffic, it is a very dangerous stretch of road. The Great Yarmouth third river crossing was a priority for improvement to dual carriageway standard, as was the A47 going west of Peterborough through to the A1. The A47 is Norfolk's key east-west axis, and we really want action on it—not promises or fine words, but a commitment to action.

I shall very briefly touch on the other roads that concern my constituents. Although they are perhaps not as important, they are nevertheless vital to the

[Mr. Bellingham]

economic well-being of west Norfolk and Norfolk as a whole. First, the A11 is the key link from the south and from the motorway network to Norwich. Over the years, all Members with Norfolk constituencies have campaigned hard to secure improvements to the A11, and we have, I am pleased to say, more or less succeeded. However, one stretch remains a problem—from Barton Mills to Thetford. Will the Minister tell us today when that stretch of that vital trunk road will be dualled?

Secondly, the A10 is the important link from King's Lynn and West Norfolk, going south to Cambridge and the M11. The road was de-trunked about five or six years ago and there are no dual carriageway sections on it whatsoever. Again, we have seen the folly of various bypasses being built on the A10—for example, around Downham Market and around Ely—as single carriageway roads. Goodness, how much easier and more economic it would have been to put in another carriageway at the time, rather than later.

The A10, because it is de-trunked, is the county council's responsibility, and on a part of the road in my constituency, going through West Winch and Setchey, two villages have been completely cut in half. It is now a priority for the county council's road building programme, but because the road does not have regional priority, there is little chance of it being built in the near future. Will the Minister tell us today why that regional priority has a low designation? Can he do anything about it? Can he speak to the relevant people in those regional bodies to ensure that the A10—in particular, that bypass—is given more priority?

Thirdly, the A17, which is the vital link road from King's Lynn and West Norfolk going north, was similarly de-trunked about five or six years ago.

John Bercow (in the Chair): Order. I counsel the hon. Gentleman not to refer to, still less to dilate upon, roads that have been de-trunked, for which the Government do not have any responsibility. I also very gently point out to him that I feel sure that he is nearing the conclusion of his speech, because he awaits with eager anticipation that of his hon. Friend the Member for Mid-Norfolk (Mr. Simpson).

Mr. Bellingham: Thank you, Mr. Bercow, for that gentle reminder. I am bringing my remarks to a conclusion.

It is important to mention that we are trying to get the de-trunked roads re-trunked, and I should like the Minister to tell us the chances of him using his good offices to ensure that we have extra dual carriageways on the two roads that are so important to my constituency and those of my hon. Friends the Members for Mid-Norfolk and for South-West Norfolk.

In conclusion, Norfolk is a county with a very important future. It has a great economic future, but it needs the infrastructure to service that extra growth and to guarantee and secure those jobs. On the one hand, a Minister says that Norfolk must grow and meet those housing targets, but on the other, other Departments say, "All your pleas for better infrastructure will not actually be met or fulfilled." I therefore look to the Minister this afternoon to give us some guarantees and to confirm that there really will be progress.

4.45 pm

Mr. Keith Simpson (Mid-Norfolk) (Con): It is a great pleasure to serve under your chairmanship, Mr. Bercow. I congratulate my hon. Friend the Member for North-West Norfolk (Mr. Bellingham) on obtaining the debate. I thank him for allowing me a brief opportunity to speak, and the Minister, too, for his generosity.

As my hon. Friend pointed out, a sizeable part of the A47 runs through my constituency, and only part of it is dualled. I have been campaigning on the issue since 1997. I am a member of the A47 alliance, which brings together many interested groups, and I help to represent all the MPs on it. The A47 is a crucial link road between the east midlands and Great Yarmouth, but there are frequent serious accidents, and when they occur, they not only completely block the A47, but there are diversions around the whole of Norfolk. It is almost like going back to mediaeval times.

The Government were mistaken when they decided to downgrade the status of the A47, alongside that of many other roads, from a strategic route of national importance. It was done several years ago, and the French, the Germans and the Dutch would never have made such a mistake on such an important road. As a consequence of that decision, as my hon. Friend touched upon, effectively, the European Union also downgraded the road's status as a trans-European network. Our friend, Mr. Robert Sturdy, an MEP for the eastern region, obtained that information from the EU.

The Government say that it is no good lobbying Ministers about the future of the A47, because decisions and priorities are at a regional transport board level. However, the conclusion of everybody belonging to the A47 alliance is that, sadly, at that regional level, every area is set against another area, and they all compete for a limited amount of money. That is not satisfactory.

The A47 alliance recently commissioned studies from three district councils—Broadland, Fenland and Breckland district councils—and King's Lynn and West Norfolk borough council, in my hon. Friend's constituency. The study was entitled, "The Potential Implications of Proposed Growth on the A47". Based on the Government's figures, the report shows that the Government's and the eastern region's housing targets for those councils and Norwich will make the present problems on the A47 much worse, "and indeed in some instances the housing targets will not be achieved unless the A47 is improved."

When the outer harbour at Great Yarmouth is completed, as my hon. Friend said, there will be even more traffic congestion.

Finally, the responsibility rests at ministerial level. That is not just my view, but the view of local businesses and local authorities. I urge the Minister to consider reinstating the A47 as a strategic route of national importance, because without that measure, we will continue to have a rather poor debate.

4.49 pm

Christopher Fraser (South-West Norfolk) (Con): Thank you, Mr. Bercow, I shall make one very quick point.

The Minister is fully aware that Norfolk is the only county in England that does not have a dual carriageway network linking it to the national trunk road network. As such, its road networkis not fit for purpose or for the

current traffic on it. I hope that the Minister will address my earlier point about Norfolk's potential economic growth being stifled by the fact that it does not have the roads infrastructure that it should. Previous Ministers doing his job have considered the issue and come out with platitudes but not a great deal of action, so I hope that he will not use his response to suggest that the issue is of regional importance. As my hon. Friends the Members for North-West Norfolk (Mr. Bellingham) and for Mid-Norfolk (Mr. Simpson) said, the roads infrastructure in Norfolk is clearly of national importance and needs national Government support, rather than—dare I say it to the Minister, who is a decent man?—fobbing off to some regional prioritisation for which nobody will take responsibility.

4.50 pm

The Parliamentary Under-Secretary of State for Transport (Mr. Tom Harris): I congratulate the hon. Member for North-West Norfolk (Mr. Bellingham) on securing the debate and commend the comments made by his colleagues. I understand the importance of the subject, as it is a common concern among Members on both sides of the House when the pot for carrying out works to strategic roads in an area is necessarily limited and tensions obviously emerge between the various stakeholders in each region. I want to say a little more on that later.

I will address some of the specific comments made by the hon. Gentleman. He asked when the last part of the A11 was due to be dualled. It has been scheduled for dualling in the period between 2009-10 and 2015-16, which is a long period and I understand his impatience in that regard. He also raised a point that has been raised with me before by Robert Sturdy MEP on why the A47 is part of the trans-European network but not designated as a road of national importance. Four criteria must be met before a road can be designated as a national route, one of which is that it must be part of the trans-European network. The three additional criteria are that flows should be greater than 60,000 vehicles a day, that heavy goods vehicles should comprise more than 15 per cent. of the total and that any such routes should link two of 20 major cities in England. The A47 does not meet those four criteria.

I understand the argument that the hon. Gentleman made. He will not be surprised to note that, from a number of discussions with colleagues on both sides of the House, the obvious solution seems to be to change the designation of a particular route from a road of regional importance to one of national importance, thereby, it is assumed, generating an unspecified and presumably limitless amount of cash from a source that has previously been unidentified. Were that course to be pursued, the money that would have to be used for any changes to those roads would not simply be additional to what has already been given in the regional funding allocation, but would have to be top-sliced from the regional funding allocation, so we would be back to exactly where we began. The hon. Member for Mid-Norfolk (Mr. Simpson) referred to the regional transport boards as comprising stakeholders who basically fight for funds for their own areas. We would end up in exactly the same situation, but with a smaller pot of money to argue over. The solution in this case is not as simple and straightforward as the hon. Member for North-West Norfolk suggests.

The hon. Gentleman also asked about vehicle flows on the A47 with regard to the criteria for dualling. He suggested that a single carriageway carrying 11,000 vehicles would automatically qualify to be upgraded to a dual carriageway. My understanding is that 11,000 is the figure at which the Highways Agency will begin to look at a road to see whether dualling would represent value for money, rather than a definite criterion. He raised a number of issues, so if I cannot answer them all in the short time left, I will of course write to him to clarify those matters.

The economic performance of the east of England depends, as has been said, on good connections at national and international levels. We work closely with regional partners to deliver the transport infrastructure that the region deserves and requires. Norfolk, by virtue of its location, is sometimes perceived as on the sidelines, especially by those living there. However, in recent years there have been some additions to the strategic transport infrastructure, which have improved accessibility to the rest of the country.

Norfolk is served by six major roads from the west and south—the A47, A11 and A12, and the A10, A17 and A140, which are the responsibility of Norfolk county council. In recent years, there have been several improvements to those roads, such as the dualling of the Attleborough bypass, which removed a major congestion point on the A11 and significantly reduced delays along the route, and the Hardwick flyover on the A47 in the hon Gentleman's constituency.

A number of local transport schemes in Norfolk have also contributed to improved access to the wider strategic network and, therefore, to connections with the rest of the country. However, it is not only within Norfolk that we need to look for improvements. Improvements outside the county can benefit accessibility to it. We have completed the Thorney bypass in Peterborough on the A47, which had been promised by successive Governments for more than 60 years.

Future provision of additional transport infrastructure will be met through our goals of delivering sustainable growth and economic prosperity throughout the country. The agenda for that growth in the east of England is being set by the emerging regional spatial strategy, or east of England plan. Underpinning that is the regional transport strategy, which has an overall vision to deliver the spatial strategy. That provides a regional framework for delivery of transport investment and policy priorities focused on two levels: first, encouraging sustainable transport solutions for the key growth centres of the region; and secondly, emphasising the need to improve the strategic and regional road networks by providing journey reliability through tackling congestion and improving safety and efficiency.

In the east of England plan, the Norwich area has been identified as a transport investment priority. As it is a key centre for development and change, I welcome the approach by the three local planning authorities in joining forces to form the Greater Norwich development partnership, with the aim of delivering a joint core strategy for their local development framework. From a transport perspective, that will help to provide an integrated approach to identifying transport solutions to the delivery of that growth.

I will move on as quickly as I can to the infrastructure that links the urban areas. The regional transport strategy

[Mr Tom Harris]

has identified key elements of infrastructure requirement, and I am pleased that the region has prioritised the funding of those schemes through the regional funding allocations. I am talking, of course, about the dualling of the A47 between Blofield and North Burlingham and of the A11 between Mildenhall and Thetford. Both are subject to statutory procedures but could be delivered between 2009-10 and 2015-16. I am delighted that after many years of Government investment, the longer-term strategy of completing the dualling of the A11, linking the north of the region with the motorway system and the midlands via the A14, is finally in sight.

The hon. Gentleman and his colleagues have campaigned long and hard for further dualling of the A47, and I pay tribute to the efforts that they have made on behalf of their constituents. Although that is commendable, I hope that they will consider their aspiration in the context of the related housing and economic development programmes identified in the east of England plan. Transport should be seen not in isolation, but as part of the regional strategic decision-making process. That is why there is a regional transport strategy and why, apart from the A47 Blofield to North Burlingham scheme, the strategy has not identified the A47 outside the Norwich area as a priority for further study. That position is in line with the recommendations made through the Norwich to Peterborough multi-modal study a few years ago.

The regional funding allocations provide the means for delivering the transport priorities of the east of England plan, and there will be an opportunity to reconsider regional priorities again this summer as part of a review of the regional funding allocations that the Department for Transport will be conducting. I welcome the recent announcement by the East of England Development Agency to commission a study to consider how transport can unlock the economic growth potential of the region.

As I am running out of time, I suggest that the refreshing of the regional funding allocation might be the opportunity for hon. Members to lobby the regional transport board in their area to try to persuade their colleagues there that priorities should be re-ordered to give the A47 the attention that it has not had hitherto.

Question put and agreed to.

Adjourned accordingly at one minute to Five o'clock.

Westminster Hall

Thursday 13 March 2008

[ANN WINTERTON *in the Chair*]

Older People's Rights (Health Care)

[Relevant documents: Eighteenth Report from the Joint Committee on Human Rights Session 2006-07 HC 378 and the Government's Response Session 2007-08 HC 72]

Motion made, and Question proposed, That the sitting be now adjourned.—*[Siobhain McDonagh.]*

2.30 pm

Mr. Andrew Dismore (Hendon) (Lab): As Chair of the Joint Committee on Human Rights, I am grateful to have the opportunity to introduce the debate on our report on older people in health care.

It is sometimes argued—by politicians who should know better, and by the tabloid press—that human rights exist only to protect unpopular minority groups in society such as criminals, suspected terrorists and asylum seekers. Human rights, they proclaim, are nothing to do with ordinary people, but that argument is a travesty of the truth.

Human rights apply to us all. They are not just for those people on the fringes of society for whom public sympathy is low or non-existent. Vulnerable people in the mainstream are in real need of the protection of human rights law. For example, older people in hospitals and residential care homes, the subject of our report, need such protection.

There is a growing recognition among pensioners that human rights are vital to their well-being. That explains the enormous outcry over the consequences of the YL case, to which I shall refer later, as its outcome has deprived older people of protection in private and voluntary-sector care homes. My Committee's work rightly embraces the universality of human rights by examining and reporting on popular and unpopular causes alike. To illustrate that universality of human rights, we could not have chosen a better example than the one that we are debating this afternoon.

The numbers of older people—inevitably the main users of the NHS—are growing. Some 80 per cent. of NHS resources and 80 per cent. of staff time are devoted to the over-65s. Two thirds of general and acute hospital beds are occupied by people aged 65 and over but, as the British Institute of Human Rights has made clear, the human rights of older people are particularly invisible in society. So we decided to bring the human rights of older people in health care into the political spotlight and, by illuminating the respect—or lack of it—for those rights, to make their cause visible to all. Victimisation or neglect of older people in health care raises any number of serious human rights issues.

We heard about, and saw, a lot of good practice, and our visit to Edgware hospital in my constituency is an example of that. In care homes, we met staff with low status and poor pay who were really committed to looking after the people in their charge. However, although 79 per cent. of care homes meet the minimum standards, that means that 21 per cent. do not.

Depressingly, but not surprisingly, we received an overwhelming volume of evidence about the problems that exist from staff working for the various inspectorates, service providers and non-governmental organisations. We were told about malnutrition and dehydration; abuse and rough treatment; lack of privacy in mixed sex wards; lack of dignity and respect for confidentiality; neglect, carelessness and poor hygiene; inappropriate medication and use of physical restraint; inadequate assessment of a person's needs; too hasty a discharge from hospital; bullying, patronising and infantilising attitudes towards older people; age discrimination; communication difficulties; fear of making complaints, and eviction from care homes. All those things are human rights issues that can infringe the European convention on human rights and the Human Rights Act 1998.

Abuse of the elderly can be psychological, physical, financial or sexual. According to Age Concern, half a million people in the UK suffer abuse. Some 23 per cent. of reports to Action on Elder Abuse's helpline relate to abuse in care homes, and 5 per cent. to abuse in hospitals. In our view, elder abuse is a serious and severe human rights issue. It is perpetrated on vulnerable older people who often depend for their care on the very people who abuse them.

Elder abuse is not just a betrayal of trust—it can also amount to a criminal offence. We heard of an 80-year-old lady who was sexually assaulted, yet no action was taken. Criminality is downgraded by being classed as abuse. We also identified that as a problem in our recent report on the human rights of adults with learning disabilities. If a person is the victim of a serious crime, that crime should be treated as such and not trivialised because of the vulnerability of the victim.

I turn now to neglect and carelessness. The Committee heard examples of death arising from poor hygiene, and about problems with personal care, such as people being left in their own waste. We heard of one patient who asked for a urine bottle for one and a half hours, only for his relatives to be told, "It doesn't matter if he wets the bed, we'll change the sheets." Where is the dignity there?

Patients were moved for non-clinical reasons, sometimes at night. Older people's spectacles, false teeth or hearing aids were thoughtlessly left out of their reach by staff. Patients were left for hours in reception without food or drink as they waited to be taken home or to another hospital. At Edgware hospital, we met an old lady and her daughter-in-law. The old lady had been discharged there from Barnet hospital, in whose discharge lounge she had been left for most of the day—in her night clothes, with her belongings in her lap in a clear plastic bag but without refreshment.

Medical problems are not addressed until they become critical. We were told of an 89-year-old who was admitted to hospital from her care home with pressure sores and dehydration, because the care home said that it was "not our job" to deal with such matters.

A number of witnesses raised concerns about malnutrition and dehydration. In 2006, the Healthcare Commission found that 20 per cent. of adult in-patients needed help with their meals, but that nearly 40 per cent. of those never, or only sometimes, received help. That led to uneaten meals being taken away from patients who needed help to eat them. In one case, that happened

[Mr. Andrew Dismore]

because it was not clear whether it was the job of the nurse or the care assistant to help.

However, we heard examples of good practice too, such as the use of red trays for patients who need assistance. I recently heard about a volunteer scheme at the Royal Free hospital, where volunteers help with what can be a time intensive and difficult job.

The Committee was told about the inappropriate use of medication, especially in care homes. Neuroleptic sedatives were used to keep difficult patients with dementia quiet, even though those drugs are not licensed for that purpose. We heard about a general practitioner who, without first examining her, prescribed sleeping pills to a care home resident with mild dementia to prevent her from disturbing staff at night.

The lack of privacy, dignity and confidentiality is a serious problem that has a significant detrimental impact on older people in health care. A number of witnesses spoke about mixed-sex wards. Not all of them opposed the continued use of such wards, but everyone raised serious concerns about privacy. Witnesses complained about sensitive medical advice being given to a patient on the ward within earshot of other patients, and about staff having conversations among themselves while attending to patients' intimate care needs—in other words, just talking over the people in their charge.

The delayed discharge regulations were mentioned by a number of witnesses. In principle, it is important to ensure that patients do not stay longer in hospital than necessary. However, 16 per cent. of over-75s are readmitted within 28 days, compared with only 10 per cent. of those aged 16 to 75, which prompts the question about whether decisions to discharge are made prematurely. In one case, the wife of a patient died: his son wanted to attend his mother's funeral, but the hospital decided to discharge his father on the same day.

Moving into care can be a life-changing event for many old people. They may have lived in their own home, with or without social services support, up to their hospital admission. Changing from an independent environment to one of dependency can be unsettling and traumatic. We were told that, in practice, older people have little or no choice on discharge. They are put into placements that do not meet their needs, or where adequate care is not in place. They are sometimes discharged to care homes instead of their own home, where they would be able to live with appropriate support. Other elderly people are discharged into care, miles from friends or family.

We were told that the Department of Health guidance that says that no one should be discharged direct from an acute hospital bed to a care home was routinely ignored. We recommended that the delayed discharge regulations should be amended to allow for more flexibility in applying the time period within which patients must be discharged. We also called for guidance to be given to hospitals and local authorities to help them respect the rights of patients under article 8 of the European convention on human rights.

The Government set out their view of how the regulations could and should work to safeguard respect for patients' rights. The Minister expressed surprise at the evidence that we received showing that the regulations were not working well in practice. The Government need to do more to show that the delayed discharge regulations work as well in practice as the Department thinks that they work in theory. We have reported that, in practice, the regulations can compromise the human rights of older people in the ways that I have described.

The Government's response so far has been complacent. I hope that the Minister will reassure us today by saying that he will look at how the regulations are working in practice and will reconsider issuing guidance to ensure that patients' rights are respected when they are discharged.

So why do these problems happen? There is a real power imbalance: on one hand, we have frail, sick, elderly, vulnerable people and, on the other, a big and unresponsive bureaucracy. Both patients and providers have an extremely low awareness of a patient's rights. It is not just a matter of providing a proper, professional service for the patient; it is also the patient's enforceable human right to receive such a service.

Older people can be very stoical, and they are often reluctant to make a fuss and complain. They may say, "I am old, what can I expect? I am grateful for what they are doing." Such expressions exemplify their approach to life. Low expectations are, in effect, internalised ageism. They are compounded by the fact that some of the most elderly people remember the time before the NHS was founded, when there was no affordable medical care.

Human rights are seen as a matter only for a health trust's legal department. They are a regulatory burden: they require boxes to be ticked yet have nothing to do with the reform of service delivery. The failure to protect and respect the human rights of older people in health care is a deep-rooted cultural problem in the system.

We also received evidence of both direct and indirect discrimination on the grounds of age. Direct discrimination is less common than in the past, but it has not vanished. Age Concern gave us some examples, among them the fact that invitations to breast screening stop for women over 70. In addition, doctors are less likely to refer angina sufferers to see a specialist or to have tests if they are over 65.

The Committee heard about one GP being called too late to see a care home resident whose health had deteriorated suddenly. Earlier access to a GP would not have been denied to a younger, non-dependent person, as that person would be able to arrange an appointment at an earlier and personally convenient time.

Dr. Evan Harris (Oxford, West and Abingdon) (LD): I endorse the concerns that the hon. Gentleman has expressed about the second two cases. I think that he will remember that we made a recommendation about breast screening age. When one is dealing with a screening procedure for a defined population, it can be legitimate to identify those people for whom routine calls for screening will not be cost effective. The people I am talking about are the ones who are still able to opt into the screening for themselves, in a cost-effective way. I know that the hon. Gentleman understands that there is an important distinction to be made between the first of the examples that he gave and the other two, which are not acceptable.

Mr. Dismore: I hear what the hon. Gentleman says, and I think that that came out in the evidence.

Returning to the point, more subtle forms of discrimination are still endemic. The NHS's national director for older people's services told us that there are still

"deep-rooted, negative attitudes and behaviour towards older people"

in the NHS. Examples include making decisions, on whether to refer or to treat people on the basis of those

"deep-seated underlying attitudes and beliefs about older people."

For example, elderly people are less likely to be offered "talking therapy" for mental health problems. Financial arrangements can also discriminate against older people. We were told that local authorities frequently have lower budgets for their teams dealing with older people than for those dealing with younger people.

We are not convinced that the existing legislation does enough to protect and promote the rights of older people in health care. In addition to our recommendations relating to the Human Rights Act 1998, which I will come on to shortly, we made two recommendations to address that problem. We called for a positive duty to be placed on the providers of health and residential care to promote equality for older people. We also recommended that the current prohibition on age discrimination in the workplace should be extended to the provision of goods, facilities and services so that it would include health care, among other things. The Government told us that they would consider the suggestion in the context of the review of discrimination law. Perhaps the Minister can tell us what his view is, and also say what progress is being made.

What do human rights offer beyond what should be good practice, common sense, and good old fashioned manners? That was considered by one of the Lords on our Committee when we started looking at the issue. The NHS is good at curing, but what about caring in the wider sense of the word? Human rights are based on dignity, respect, equality and fairness. We can all agree that those concepts are particularly relevant to vulnerable groups, such as older people in health care. The Human Rights Act is best seen as a tool that can and should be used in law, policy and practice to ensure that those social justice goals are achieved. It is a lever to help drive up improvements in service. It is not merely that there a duty on the NHS and its staff to provide services properly; the patient has an enforceable right to receive such services, too. The Human Rights Act can help put patients, and not finance systems or staff, at the heart of the NHS.

The organisation Action on Elder Abuse told us:

"Debates in both the health and social care sector have ignored the Human Rights Act and have instead been focused upon costs, rather than quality of care provision. We are addressing a 'mass production' approach toward older people, rather than a 'quality approach'".

By giving legal force to concepts such as dignity, respect, equality and fairness, the Human Rights Act empowers patients and carers to demand better quality treatment. Patients in vulnerable circumstances can be powerless in the face of unresponsive systems. The Act also empowers individual members of staff and their teams to improve the ways in which they work. The Royal College of Nursing told us that human rights

"legitimise speaking out when things are not right."

The human rights legislation gives nurses and care workers ammunition to pressurise management to change bad practice or improve resources because the rights of their patients are being infringed. Of course, good quality patient-focused treatment is to be found in parts of the NHS, but best practice is not universal throughout the service. The Human Rights Act provides a framework to encourage best practice in health care and, because it has the force of law, it also acts as a backstop to ensure that a positive approach to respecting the human rights of patients becomes the norm.

We have all seen the signs that say, "Our staff are entitled to be treated with dignity and respect," or "We will prosecute those who assault or abuse our staff." Where are the ones that say, "You, the patient and the relatives, are entitled to dignity and respect. We will take action against those who assault or abuse you"? I have yet to see them myself.

In practice, it is important to look at how the Human Rights Act can work. The British Institute of Human Rights, with the Department of Health and five NHS trusts, has completed a pilot programme to demonstrate how a human rights approach can be mainstreamed in the NHS. For example, upholding human rights is one of the strategic objectives of the Mersey Care NHS Trust, which is participating in the pilot, and there is board-level leadership on the issue. We were told:

"People have traditionally had things done to them rather than being actively involved. Now that service users and carers are involved...they say it makes a difference for them, they feel valued, they have interesting things to do."

Users and carers also say that involvement makes a difference to staff attitudes, clinical practice and the kinds of services that are provided.

The pilot programme provides welcome evidence of the kind of institutional respect for human rights for which we have long been calling. It integrates not just the elderly, but other vulnerable people, such as adults with learning disabilities and those at risk of discrimination on the grounds of race and gender. However, such practice is the exception rather than the rule. In 2003, the Audit Commission found that 60 per cent. of health bodies had not yet adopted a strategy for human rights from the Human Rights Act. We have seen no evidence that the position has improved. Will my hon. Friend the Minister bring us up to date on the BIHR pilot? When does he expect to evaluate its impact? We would certainly like to see the human rights approach piloted by that project implemented across the health care sector. We hope that the Minister supports that, and will explain how it is going to be developed.

The Human Rights Act provides a legal underpinning for dignity, respect, equality and fairness in health care and elsewhere. Respecting human rights is not a question of take-it-or-leave-it best practice; it is a legal duty on public bodies. Public bodies have a positive duty to take active steps to protect and respect the human rights of the people with whom they deal. In our view, an understanding of that legal obligation in the public sector is very limited. As a result, there is infrequent compliance. We call for the positive duty that is implicit in the Human Rights Act to be spelled out explicitly in primary legislation. That could kick-start the institutional changes that are needed in public authorities to put the human rights of their users at the centre of their work. The Government's response to that recommendation

[Mr. Dismore]

missed the point entirely. It merely referred to the terms of the Human Rights Act and the role of the Equality and Human Rights Commission in encouraging public bodies to comply. Our argument is that the existence of that positive duty is not contained in the Act, so understanding of it and compliance are poor. Will my hon. Friend the Minister explain to the House why the positive duty should not be spelled out explicitly in primary legislation? If not, how does he intend to ensure that the NHS bodies act on that duty?

Mr. Stephen O'Brien (Eddisbury) (Con): Does the hon. Gentleman recognise that the Government had a chance to do just that recently when we looked at the matter in detail in the Health and Social Care Bill?

Mr. Dismore: The hon. Gentleman is right, and I proposed amendments to that effect, which I might mention in a few moments.

The health and social care inspectorate—currently the Healthcare Commission— and the Commission for Social Care Inspection are important in ensuring that health care providers respect and promote human rights. We were critical of the Healthcare Commission for regarding the Human Rights Act as just one of a large number of regulations to which it is subject. The Human Rights Act is fundamental to the work of the commission, and should be used explicitly in its regulatory work. The Government response pointed to a recent report by the commission, "Caring for dignity", which included the commitment to ensure that dignity and human rights are the underlying principles that inform the work undertaken by the commission.

Things have moved on since our report, and the Bill to merge the inspectorates into the new Care Quality Commission has passed through the House and is in the other place. We published two reports on the Health and Social Care Bill. The first set out amendments to the Bill to take account of some of the recommendations in our report, which we debated on Report a few weeks ago. Our main concern is to ensure that the Care Quality Commission adopts a human-rights based approach to its work and that human rights are reflected in the care standards that will be issued by the Department. The Minister was not persuaded that human rights should be one of the factors of which the CQC should take account in its work, and he said that the commission will be subject to the Human Rights Act.

In our view, the Government are again missing the point. There is ample evidence to show that health care bodies are not taking their commitments under the Human Rights Act sufficiently seriously. It has taken several years to persuade the Healthcare Commission that human rights should be a central element of its work, rather than simply being one of the many legal requirements that it must meet. The CQC will be in the same position unless the Government act now to accept our recommendation to insert a reference to human rights into the factors that the CQC must take into account.

We are not convinced that the National Institute for Health and Clinical Excellence is doing enough to take human rights into account in its decision making. That is particularly important in relation to difficult decisions about the availability of treatments for older people. We call for NICE to demonstrate in all its work that it takes into account convention rights as required by the Human Rights Act.

Mr. Stephen O'Brien: The hon. Gentleman may be aware that we have made a recommendation, and we hope the Government will see fit to copy it. NICE's remit should be widened through legislation to include cost and clinical effectiveness and to bear in mind societal effects. That encompasses a reference to human rights, particularly in relation to carers and the cared for, and that is the provenance of our policy making.

Mr. Dismore: The hon. Gentleman probably goes a little further than I would regarding the wider impact on society, and he may have gone beyond the human rights principles that we are advocating. If human rights principles were part of NICE's basic approach, that would in itself be a significant advance and might address many of the matters about which he is concerned.

I shall now consider the position of NHS staff, who are on the front line in protecting and promoting the human rights of older people in health care. They are the people with whom older patients and residents interact every day and on whom they rely. We are not talking simply about doctors and nurses: the attitudes, actions and omissions of reception staff or those involved with patient transport have a major impact on older people. They, too, should know what is needed to respect, protect and promote the human rights of the people with whom they deal. Given the many competing demands on health care staff, if cultural change is to be achieved, it is vital that all staff understand what human rights principles mean and how they should be applied. By respecting human rights, staff will also be able to recognise and support the positive benefit they bring to their own working lives, and the lives of patients and residents.

Since the Human Rights Act came into force in 2000, human rights training should have been provided throughout hospitals, care homes and other public sector organisations. In 2003, the Audit Commission made a similar recommendation, but the training has not materialised. When training is provided, it is on a one-off basis and is somewhat unfocused. We recommend that all staff working in health care, both clinical and non-clinical, receive targeted and regular training in human rights principles and duties, and how they apply to their work. The training should be integrated into general training, so it should not be costly.

We also ask the Government, the regulators, and the Equality and Human Rights Commission to monitor the extent to which training is provided. The Government responded positively to our concerns and mentioned a number of initiatives that deal with training and guidance on human rights. Perhaps the Minister will tell us what is being planned in more detail and the time scale for those initiatives.

Mr. Stephen O'Brien: We should focus not just on abstract training, which can often be quite legalistic, but on the practicalities. Health and safety legislation has resulted in many nurses and carers in care homes being discouraged from undertaking the lifting that was commonplace in the past. Training has always been required to enable somebody to lift well, without causing bruising to vulnerable people who are susceptible to

bruising. Training at that level is also a human right in relation to professional skills, and we should, for example, train people to lift, rather than simply inform them about the legal issues.

Mr. Dismore: The hon. Gentleman has made an interesting point. There was a Human Rights Act case that trumped the ban on lifting and stated that patients should be lifted when appropriate. Obviously, with appropriate training, it is possible to lift people safely. I know from my old job as a personal injury lawyer that nurses can often be injured when lifting patients improperly, because they have not had the training or been given the additional staff required to lift patients safely. That is linked to the points I made earlier about how the position of staff should be strengthened when they argue against doing things that they consider to be in breach of the rights of their patients.

We recommend that qualifications, accreditation and relicensing for health professionals should include a basic understanding of human rights principles, such as dignity, fairness, respect and equality. I tabled amendments to the Health and Social Care Bill to address a number of those issues and although the Minister again argued that the bodies responsible for those matters are subject to the Human Rights Act, our view is that that is not enough to ensure that human rights are taken seriously. Staff who come across incidences of neglect or carelessness should be required to report them without fear of reprisals. Doctors and nurses are under a professional duty to report poor treatment, but other staff, particularly those in care homes, are not under such a duty. On our study visit to Denmark and Sweden, we were informed of Lex Maria and Lex Sarah—laws which require all employees in residential care or hospitals to report suspected abuse. We recommend that similar provisions should be introduced in this country by using the new care standards to be introduced under the Health and Social Care Bill. Will the Minister confirm whether or not the new care standards will extend the duty to report poor treatment to all NHS staff and care home workers?

It is key to ensure that older people are empowered. They are often unaware that they have human rights or that such rights are legally enforceable. At Barnet hospital, new patients are given a leaflet about what to expect from their stay, how to complain, and the discharge procedures, but not what their rights are. We call on the Department of Health, the inspectorates, and service providers to make information available in an accessible form to service users about their rights. The Government have agreed with that recommendation, so perhaps the Minister will tell us what is being done to implement it. The Government have referred to two publications—"Human Rights in Healthcare" and "Promoting Dignity within the Law"—which are apparently available to service users. Will the Minister tell hon. Members how many copies have been distributed to the public, and how the impact of those documents has been measured? Is he satisfied that his Department is doing enough to disseminate information about human rights to patients and carers?

Older people often benefit from independent advocacy to ensure that their voices are heard. We welcome the Minister's support for independent advocates, but we are concerned about whether there are sufficient advocates to meet the needs of older people. We are also concerned about whether advocates are adequately trained in human rights principles. Effective complaints mechanisms are essential, but they function only if people know how to complain, are not afraid to do so, and are not victimised when they do. Ultimately, a system in which complaints can be made to a third party is needed. We are concerned about the proposal in the Health and Social Care Bill that states that the Care Quality Commission will not be able to investigate individual complaints in the way that the Healthcare Commission can. More emphasis will be placed on resolving complaints at a local level. Will the Minister explain how local arrangements will be sufficiently independent of the organisations that are the subject of the complaint to enable the process to be credible in the eyes of the complainants, especially those who fear victimisation from those about whom they are complaining?

Mr. Stephen O'Brien: I deal with the issue of complaints in my remarks. We had an extensive discussion on that matter in the Committee that considered the Health and Social Care Bill, despite the difficulty in getting the amendments in order and selected. Does the hon. Gentleman recognise that since the axing of community health councils and their immediate successors—local involvement networks are about to replace forums—there has been concern about the lack of independence for patient advocacy bodies, particularly in relation to NHS care? Those who are vulnerable and need help require an assurance about independence so they can trust the process, rather than thinking it will be an in-house fix. Such independence is still absent from the Government's plans.

Mr. Dismore: I understand what the hon. Gentleman is saying. There are two types of complaints: those that can be resolved locally and quickly without too many problems and others that are more serious and require further detailed investigation. Handling the latter category requires a degree of independence, which is why we have made our recommendations. I tabled amendments on Report, but unfortunately Mr. Speaker did not select them, otherwise we would have been able to debate the matter fully then. One of the advantages of a Joint Committee is that we have representatives from both Houses. I shall be surprised if my colleagues from the other place do not table amendments on the matter when the Bill starts its passage through the Lords.

One of our concerns related to the risk of eviction. We were alarmed by how little protection care home residents have against eviction, compared with tenants in rented accommodation. That is particularly relevant in the context of complaints: care home residents and their families and carers are less likely to complain about the care that is provided if they are worried that the response will be eviction. We heard of a care home resident who used the emergency buzzer at night. The care assistant took half an hour to come, by which time the resident had wet the bed. The resident was left in the wet bed, the buzzer was thrown across the room and, after making a complaint, they were given 28 days' notice to leave. In another case, a low-level complaint was made to the care assistant about the resident's bed not being made. Twenty-eight days' notice was given to look elsewhere. The YL case arose out of similar circumstances, with the proposed eviction of Mrs. YL from her home in Birmingham.

[Mr. Dismore]

In Denmark and Sweden, residents have the same security as other tenants. As their needs increase, the level of care steps up from sheltered accommodation to highly dependent, all in the same home. Will the Minister consider making it harder for care homes to evict residents? I am sure that hon. Members are familiar with the YL case, given the intense interest throughout the country in its outcome. In essence, users of services provided by the private and voluntary sectors but commissioned by public bodies are excluded from the protection of the Human Rights Act, as a consequence of the House of Lords judgment. That raises issues that go far beyond our debate today, but the consequences have been brought into sharp focus by the impact on care home residents: 77.9 per cent. of care homes are private and 13 per cent. are in the voluntary sector, which means that residents in 91 per cent. of homes have no direct protection under the Human Rights Act.

This year, for the second time, I have introduced a private Member's Bill to attempt to resolve the general issues; and for care home residents in the interim, I moved on Report a new clause to the Health and Social Care Bill to restore the law to what everyone believed to be the case before YL and the earlier authority established by the Leonard Cheshire case. I am pleased that the Minister responded positively, with an undertaking to report to the other place with the Government's own proposals. I hoped that that would result in a Government amendment, so I withdrew my amendment. Will the Minister bring us up to date on Government discussions and tell us what amendments he anticipates will be tabled in the other place?

I come now to the question of leadership. Until recently, the Department of Health manifestly failed to ensure that human rights were at the heart of health care policy and practice. It was left to voluntary organisations to provide leadership and fill that vacuum. We need nothing less than an entire change of culture throughout the health service and care home sector. Recently—perhaps because of our inquiry as well as the work of non-governmental organisations—Ministers and senior officials have come to understand better the importance of human rights in health care, and I very much welcome that change. The references to human rights in the policy documents that we have seen are good. I certainly cannot fault the Minister's personal understanding of the issue and commitment to progress. However, we are concerned about how that translates into policy making and implementation in practice.

At the end of our inquiry, we remained without confidence that the Human Rights Act was

"an integral part of policy-making"

in the Department. Initiatives such as the British Institute of Human Rights pilots are welcome but piecemeal, and there is no clear strategy on making human rights integral to the work of the Department as a whole. There has to be much clearer guidance, and we need a much stronger cultural steer. The reluctance to use the language of human rights must be overcome. It is not an embarrassment, but a guarantee of good practice.

The Government told us that they were focused on improving their performance, drawing on support from the Equality and Human Rights Commission. Will the Minister tell us whether there will be a departmental human rights strategy, so that human rights considerations can be at the heart of the Department's work? How will the Department demonstrate leadership throughout the NHS on human rights? The Department said that it would review its policy-making processes to ensure that they reflected human rights considerations. Has that been done? If so, what was the outcome?

This year, the NHS is celebrating its 60th anniversary. It has been a remarkable success story overall. In our inquiry, we pointed to ways in which it can be more successful still by putting human rights at the heart of its work, which will make the rights and needs of users central to the work of the NHS, helping to ensure that financial or staff pressures, or the sheer weight of the bureaucracy, do not drive policy and practice. As one consultant told us, "Looking after older people well is a lot cheaper than looking after them badly." That can be done without spending enormous sums of money, but it requires a cultural shift from the top of Richmond house down to the staff on the hospital reception desk or in the call centre. The welcome political commitment recently shown by the Minister and his colleagues must be both intensified and sustained, so we will continue to keep the Department of Health under scrutiny until the human rights of older people in health care receive the respect to which they are entitled.

3.4 pm

Dr. Evan Harris (Oxford, West and Abingdon) (LD): I congratulate the hon. Member for Hendon (Mr. Dismore) on the way in which he summarised the findings of the report and the reaction to the Government response to it. I also thank him for his chairmanship of the inquiry. As a member of the Committee, I can certainly testify to the fact that it was a thorough and serious inquiry, examining what could have been a very wide field. Efforts were made to narrow down the issues that we considered in order to produce a focused report that was able to make specific recommendations in the relevant time scale. Our Committee is a busy one. It scrutinises the human rights compatibility of all Government Bills and some private Members' Bills, and considers the UK's compliance with treaty obligations and judgments in our domestic courts and at the European Court of Human Rights in Strasbourg on human rights cases. It also conducts thematic inquiries; the one that we are discussing was a significant piece of work last year.

I endorse everything that the hon. Gentleman said. I just want to make a number of additional comments. First, I apologise to the Minister, to you, Lady Winterton, and to other hon. Members present because I will not be able to stay to hear the concluding remarks. Therefore, I shall not ask any specific questions of the Minister; I shall just add some commentary to what the hon. Member for Hendon said.

I was struck by a process issue, which I shall place on the record in the hope that clarification can be given. Our report contained 54 conclusions and recommendations, but the Government response considered 36. I found that confusing. It turned out that those 36 included the expansion of one of our recommendations to two in a number of cases, so the Government probably responded specifically to only about 30 of the 54 conclusions and recommendations.

What the Government have done—I am not criticising this; I am just commenting because it is not something that I have noticed before—is respond only

to those conclusions and recommendations that were recommendations. Perhaps that is appropriate, but I think that when we put certain parts of our report in bold type and considered them conclusions, we were expecting the Government to react to the assertions that we were making, even when they did not start with the words "We recommend". Perhaps there is an issue of process for those of us on the Committee to consider. Perhaps we should specifically say at the end of every assertion, "We recommend that the Government respond to this assertion," because if that does not happen, it is hard to engage in the give-and-take of a report and response as fully as we would want.

In fairness, I accept that the Government did engage on the points to which they responded. I suspect that the Government are not able as effectively to clarify which of our assertions they disagree with. A couple of those are exemplified in the recommendations that we made on delayed discharges, which was the subject of one of the first sections of our report. The hon. Member for Hendon spent some time explaining why we were concerned. Our conclusions and recommendations included a number of points that were not formal recommendations. For example, we said:

"We are...concerned that the premature or inappropriate discharge of older people could lead to their readmission shortly afterwards."

I would be interested to know from the Government whether they think that delayed discharges could have the unintended and possibly unavoidable consequence—this may just be something that has to be accepted—of an increase in readmissions, which is not necessarily in the clinical interest of any patient, but particularly not in that of older patients.

The Government point out, and I accept, that when someone is clinically ready for discharge, the last place or one of the last places that they want to be is in an acute hospital. Hospital is then inappropriate, with the risk of infection and so on. There must, however, be a balance between that and over-hasty discharge, with or without the risk of readmission, but certainly where there is the risk of readmission.

As I say, the Government gave a lengthy response to the conclusions and recommendations that they said they would respond to, and we should put on record our gratitude for that, but we did not get a full response on this issue, as the hon. Member for Hendon said. In theory, delayed discharge arrangements should not, as the Government intend that they should not, cause premature discharge where that is not in the patient's best interests—they may not be ready, or the circumstances may be inappropriate, as, for example, in the case of direct discharge to a care home where there is no interim arrangement. However, the evidence that we took, which was backed by data, rather than by mere assertion, suggested quite strongly that that was happening in practice, and it is what happens in practice, not in theory, that is the problem in human rights terms. Similarly, if everyone was healthy in theory, but a lot of people were not healthy in practice, we would still have the problem of people suffering ill health.

In their response, the Government did not engage with the question whether it is right that the intention is that no one should be discharged directly from hospital to a care home. There is a great deal more to be said in this debate and beyond about to which evidence in our report the Government take objection. They are entitled to say, "We don't think this evidence is correct. We think you heard only one side. This conclusion is not valid." However, given that they restricted themselves to responding to two specific recommendations—they call them 1 and 2 in their response, but both were part of conclusion and recommendation 3 in our report—we did not get the full picture. The Committee may well consider following the issue up in a further evidence session with the Minister so that we have the dialogue that the work of the Committee, the work in the report and the needs of older people merit.

The second issue that I want to touch on is the National Institute for Health and Clinical Excellence. Again, the excellence and completeness of the speech by our Chairman mean that some of these issues have already been raised, but I want to raise a couple of extra ones. Paragraph 192 of our report states:

"In their evidence, NICE note that they have taken advice from their lawyers, and that their procedures are human rights compliant".

NICE went on to say that human rights were not often cited in appeals. However, that is not what should be required of the human rights culture in public authorities such as NICE. It is a matter not simply of compliance but of recognising that there is a positive duty to consider human rights and to seek to enhance their attainment by the group in question, which, in this case, is particularly vulnerable. That is why, in paragraph 193, the Committee says:

"In particular, we are not convinced that NICE are fully taking human rights into account in their decision-making."

That sentence appeared in bold, but because we did not use the words "we recommend", there was no Government response. As a result, we do not know whether the Government agree that the evidence to which we drew attention is a fair reflection of what NICE is doing.

Speaking of the place of human rights in NICE's social value judgment guidelines, which would seem to be an important place to consider human rights, Age Concern told the Committee:

"it was completely absent from that work."

To be fair, the Government response to one of our recommendations on the issue confirmed that NICE was revising that guidance and that the issue would now be included. The Government said:

"The National Institute for Health and Clinical Excellence...are currently updating their document Social Value Judgements, which helps those developing NICE-guidance in making their decisions. NICE will take this recommendation into account when updating the document, and will be consulting publicly later this year."

That is useful to know, but that short paragraph is all that we have in response to quite a significant section of our report, which goes from paragraph 191 right to the end of paragraph 199.

My other point about NICE relates to age discrimination, and this may be an indirect consequence of the way in which NICE works. In our report, we said—I am pleased that we did so and I may have argued that we should do so—that we did not take enough evidence on the nature of quality-adjusted life years, which are a significant part of the measure of cost-effectiveness. We did not take enough evidence to judge whether they were appropriate, particularly given the issue of indirect age discrimination. We received conflicting evidence on the issue. NICE told us that a measure of quality-adjusted

[Dr. Evan Harris]

life years could often be advantageous to older people. Indeed, one of the strange things about the reluctance of some health care providers to give surgical coronary care, for example, is that there is good evidence that the older people are—within reason and on average—the greater the clinical benefit of intervention. That might seem counterintuitive, but older people often find it difficult to compensate for a physiological problem, and once it is corrected, the improvement in their quality of life is more marked than it would be in that of a younger, fitter person.

A younger person may already have compensated for the problem and will not, therefore, see such a vast improvement in their health as it affects their daily activities, even though the surgical correction is the same in each case. That is why NICE claims that quality-adjusted life years can be advantageous, but if there is a choice to be made about to which patient a rationed treatment such as a kidney transplant should be given, there is an understandable trend to give it—all other things being equal, although they often are not—to the younger person because they have more life years to gain.

I think that that approach is reasonable, but such things should not be done surreptitiously or on the nod. There should be a public debate about the issue, and a decision should be made about whether the good innings argument is a legitimate basis on which to make difficult decisions when a scarce health care resource could help more than one person. That should be made explicit, and there should be a role for Parliament in deciding such things, not simply for a group of people brought together by NICE in a focus group. When it comes to age discrimination, there is a huge amount of sensitivity about such things, which clearly engage with human rights issues.

Parliament has failed to make clear how it wishes such resources to be allocated. I was pleased that the Secretary of State for Health acknowledged that rationing did exist in the health service. He is the first Secretary of State for Health in this Government whom I have known to do that. I think that rationing exists, but the issue is whether it is fair and explicit, not whether we should have a false debate about whether it takes place or not. Older people may well be the victims of unfair rationing and they may, indeed, be unknowing victims, if they do not know that rationing is taking place.

The hon. Member for Hendon also raised the point that some in the medical profession tend to use age as a factor, independent of clinical factors, in deciding what treatments to give. It is not acceptable to say that specialist cardiac care will be given to under-65s, while over-65s will get cardiac care as part of a care-of-the-elderly service. If there is an advantage to having specialist cardiac care, it should be available to everyone who can benefit from that care; it should not be made available simply on the basis of an arbitrary, if understandable, age cut-off. Far too often in the health service, we still see convenient cut-offs based on age, and that may, on one level, be because of sensitivity to the fact that older people need the series of skills provided by a care-of-the-elderly team. If the main problem of an otherwise healthy person who happens to be over 65 is cardiac, and they do not need the specialist input that a care-of-the-elderly teams can give, they should be seen by the specialist cardiac team, who can seek input from their colleagues in care of the elderly—not the other way round.

Mr. Stephen O'Brien: I am following the hon. Gentleman's argument, and I see that he is using a clinical evidence base with respect to what is appropriate or inappropriate treatment and attention. Is there behind what he is saying a concern about the funding base for NHS and means-tested social care, and about whether arbitrary age cut-offs could mean that NHS care would not necessarily be provided; or is the hon. Gentleman purely basing his argument on clinical issues?

Dr. Harris: I do not think that that is an argument solely about care of the elderly. Whatever someone's age, if they need residential care it is likely to be means-tested. We know that there is pressure on the people running the budgets of any publicly funded service for which 100 per cent. of the funding is provided by the state to move people into means-tested care. I know that the hon. Member for Eddisbury (Mr. O'Brien) has an interest in that dilemma. The situation is inevitable, when in many contexts there is a boundary between NHS and means-tested social care; it occurs more often in the context of care of the elderly, but I was not making exactly that point.

Finally, I want to mention population screening. The Committee heard from Age Concern, which has been pretty consistent about the matter. Its view was that an upper age limit for screening programmes was discrimination on the grounds of age. I argued against that necessarily being so: when consideration is given to the question of which populations should be brought in for population screening, it is possible to analyse cost-effectiveness. That captures a great many aspects of the matter, such as the sensitivity and specificity of the test, its acceptability, and the effectiveness of treatment for those who are found to be true positives. A calculation can be done of the overall cost-effectiveness by population, according to age—or, indeed, according to other factors, although age is commonly used.

There are some age groups in which it is simply not cost-effective to screen. It would be wrong to take resources from effective and cost-effective treatments, to provide a screening programme that might sound good and be popular, but would not be cost-effective. I think we must accept that, which is why I disagreed with Age Concern's view that an age cut-off for calling in people to be screened is always inappropriate, and why I intervened on that point in the speech of the hon. Member for Hendon. That is not to say that if someone wants breast screening, for example, but is over the age at which people are called in for it, they should not have access to it on request. That is permitted in the NHS and I make no criticism—nor, I think, does the report—of Government screening programmes, at least on those grounds. It is not gender discrimination to provide breast screening only for women; it is a question of effectiveness, and cost-effectiveness, in the end.

In conclusion, I want to comment on the meaning of the term "public authority". The hon. Member for Hendon hid his light under a bushel, to some extent, in his speech. The Joint Committee on Human Rights has

an interest of long standing in the question of the failure—in practice and on the part of the courts—to understand the meaning of "public authority" as including those private companies and organisations that provide a public function, particularly with respect to health care. The hon. Member for Hendon has a long history of effective campaigning, as a Back-Bench MP and as Chairman of the Committee, to push the Government to move more quickly than they have towards a resolution of the problem—even after the Leonard Cheshire case, and before the YL case.

I think there is a huge expectation in society, within NGOs and in the House, that there will be effective provision—even if it is not the whole story, for reasons that we understand—by the Government in the House of Lords. I know that the Minister will want to reassure us that that is so, because I know that he and his colleagues, including the Minister of State, Ministry of Justice, the hon. Member for North Swindon (Mr. Wills), have been lobbied about the matter. They have heard the arguments and have had a series of meetings with hon. Members and outside groups, so they are not blind to the issues. We hope that progress will be made now, with the Bill that is currently going through Parliament, even if a wider solution is needed in later legislation.

I add my thanks to those offered by the hon. Member for Hendon to the people who supported the Committee in its work, those who gave evidence, those who helped us with the report and our specialist advisers. It is an excellent report, and I join the hon. Gentleman in commending it.

3.25 pm

Greg Mulholland (Leeds, North-West) (LD): I want to say how pleased I am to be contributing to the debate. I commend the Joint Committee's excellent report, and the work of the hon. Member for Hendon (Mr. Dismore) and his Committee. The report could not have come at a better time to move the debate forward. We would probably all agree that things have not been moving as quickly as we should have liked. To quote Help the Aged, which also welcomed the report:

> "Sadly, we have seen little progress in this area since we published *Rights at Risk* in 2005 and think that it is now long overdue."

As the Joint Committee's report made clear, there is much excellent health and social care provision for older people throughout the country. It is very heartening when we see at first hand the best of our health and social care professionals giving such care, and ensuring the dignity and human rights of older people—something to which we are all committed. Unfortunately, as we have already heard powerfully expressed by the hon. Member for Hendon, examples of neglect and abuse of older people are simply too widespread. We probably all accept that we are talking about a societal problem, and not simply a political one. Some people's attitude to older people is a manifestation of a view of them as second-class citizens who somehow do not have the same human rights that other people do. All the cases that we have heard about from the hon. Gentleman suggest that such attitudes are found far too frequently.

I was very happy, as I think the hon. Gentleman knows, to put my name to amendments to the Health and Social Care Bill that tackled the current loophole in the Human Rights Act 1998, affecting private and voluntary care home residents who are not state funded. I shall talk about that more later, but will mention now that there are 300,000 vulnerable older people who are not protected by the Human Rights Act. There have been discussions with the Minister of State, Department of Health, the hon. Member for Exeter (Mr. Bradshaw), and I welcome the fact that they are continuing.

We still, however, hear of cases of malnutrition and dehydration, rough handling of patients, bullying, neglect and people being left in their own urine and excrement. The British Institute of Human Rights provided a list of examples, including continent older people being forced to wear incontinence pads; the bathing of older people one after the other in the same bath; routine over-medication to keep people docile; night staff forcing older people to wake at 4 o'clock in the morning to be cleaned and dressed, simply because that suits the shift pattern; and an older woman being placed on a commode, fed Weetabix and washed by a carer, all at the same time. The issue that was so well highlighted by the Joint Committee's report is that, at the moment, there is no real recourse to a legal remedy under the Human Rights Act. Until that changes, older people and, of course, younger disabled people are unable to challenge clear violations of their human rights by independent providers of health and social care.

The report was neatly summarised by the hon. Member for Hendon. He mentioned some of the key issues, the first being hospital discharge. Again, inhumane discharge procedures often happen simply because of a lack of consultation with families or a lack of information to the individual and their family. There is very little information about options—frankly, a lot of the time, there is no choice at all. Often, such things happen in the context of bed-blocking, which is a difficult situation, and the need to move patients into appropriate care facilities from hospitals. However, despite the inevitable pressures, we must ensure that older people have rights. That needs to be addressed, and patients' rights need to be clearly spelled out, which I hope we will hear from the Minister.

I am sure that we agree that confidentiality causes problems. It is vital that the Department of Health issues clear guidance and perhaps a code of practice to make clear the limitations to the duty of confidentiality so that, when appropriate, family members or carers receive information and are involved in decisions, as they clearly need to be in some cases.

On the right to complain, there are huge barriers in the system as it currently operates. The hon. Member for Hendon gave a powerful, specific example of someone who was evicted for complaining. So many people in our care homes fear that. People within the NHS often have limited awareness of the organisation's complaints system, or they have difficulties navigating it. That strongly makes the case for an independent advisory service for people, their families and carers to enable them to navigate their way through the system and to show them where to go when they have a grievance and wish to make a complaint. There should be an independent complaints system in social care settings to ensure that people have the right to speak up.

Returning to the human rights loophole, we had lengthy discussions on the matter in debates on the Health and Social Care Bill. Because 90 per cent. of care homes are in the private or voluntary sector, the

[Greg Mulholland]

issue can no longer be ignored if we are serious about tackling the problems that we have heard about today. I was pleased to take forward amendments on the back of the Joint Committee's report, and to work with the hon. Member for Luton, North (Kelvin Hopkins), who led on those matters in the Health and Social Care Bill Committee.

I welcome the way in which the Minister of State, Department of Health, the hon. Member for Exeter, listened and engaged with organisations and MPs across the political spectrum to take the matter forward, but the fundamental issue remains. Until we close the human rights loophole—some of us strongly believe that that must be done in the Health and Social Care Bill—we will continue to experience situations in which two residents in the same care home have different rights or, indeed, one will have rights under the Human Rights Act but the other will not, simply because one has assets of more than £21,500 and the other does not. That cannot be right.

I was happy to discuss the matter at the Department of Health, and to acknowledge the challenges of the way in which the Human Rights Act is currently framed. However, it cannot be right that one person is covered and another is not, even though they receive the same care in the same institution. We all accept that principle but the challenge is to legislate for it. The Government said consistently in Committee that they did not believe that the Health and Social Care Bill was the right measure to tackle the issue, and they talked about doing so later on in a Bill of Rights.

The Parliamentary Under-Secretary of State for Health (Mr. Ivan Lewis): Will the hon. Gentleman give way?

Greg Mulholland: How could I possibly say no?

Mr. Lewis: May I seek clarification on the hon. Gentleman's comment on differential rights in the same establishment? As I understand it, the problem that we are all keen to sort out is that publicly funded individuals in a private establishment ought to be covered by the Human Rights Act, but are not. On Parliament's and the Government's intentions, self-funders were never going to be covered by the Human Rights Act, which leads us to a debate on how to protect them. However, as I understand it, the problem is not that there is one group of people in a home who are protected while others are not; it is about public commissioning in private homes. Parliament and Government intended that those who were publicly funded should be covered by the Act even if they live in a private home, so we do not have an apartheid system in any single establishment. It is simply that a group of people who we thought ought to be covered are not covered at the moment.

Ann Winterton (in the Chair): Before Mr. Mulholland gets to his feet again, it would be helpful if hon. Members—I have been lenient—made shorter interventions.

Greg Mulholland: Thank you, Lady Winterton. I heard what the Minister said, but it is my understanding—I might be wrong—that we are talking about people who are self-funding, who might well be in the same environment as people who are publicly funded. The simple principle remains: I and many organisations believe that every individual, regardless of whether the home is public, private or voluntary, and regardless of whether they are publicly funded, part-publicly funded or privately funded, should be covered by the Human Rights Act. In the end, that is what I and older people's organisations want.

I therefore welcome the helpful U-turn by the Government, who, following discussions with the Minister of State, are planning to bring forward an amendment on Second Reading in another place. First, will the Minister say whether the amendment will cover all four nations in the United Kingdom? We are aiming for universality, so any other measure will not do. Secondly, to return to our earlier discussion, will the amendment cover all care provision, including both self-funders and those who are publicly funded? Otherwise, we will continue to have a split. Perhaps the Minister will clarify those things when he makes his winding-up speech.

Mr. Stephen O'Brien: I have been listening very carefully. I would be very surprised if such an amendment came forward because, if the Government held talks, they did not involve any Member of the official Opposition. As the other place prepares to consider the Bill, we have not been informed that the Government have any such amendment in mind. As far as we know, there is purely the prospect of a discussion on a Bill of Rights that might incorporate such ideas.

Greg Mulholland: All I can say to the hon. Gentleman is that MPs who were invited to the discussion with other organisations added their name to amendments in Committee. That might be something that he wants to take up, but it shows that we need clarity. I believe that the Government will table an amendment that represents a U-turn from the position taken by the Minister of State in Committee. The concern of older people's organisations and human rights organisations is that it should not be a half-way house but should cover everybody in care homes.

We heard today—I am sure that we all agree—that the human rights of older people are not sufficiently enshrined in law, and that we do not have the kind of duties at the heart of the health and social care that are needed. Until the Government are prepared to take action, closing that loophole and introducing the necessary duties, the human rights of older people will not be central to our health and social care systems. I am sure we would all agree that we need to move towards that position.

3.40 pm

Mr. Stephen O'Brien (Eddisbury) (Con): It is a pleasure, Lady Winterton, to serve under your chairmanship for this timely and important debate.

I congratulate the hon. Member for Hendon (Mr. Dismore) on introducing the debate in such a comprehensive and reasoned manner. I also congratulate him on his chairing of the Joint Committee. I hope that he has the chance to secure further discussion of the subject in the main Chamber. I am sure that it merits such a debate. At the very least, it is highly likely that

the report will be referred to in connection with many other matters that are to go through both Houses, and in other contexts.

I pay tribute to all nurses, carers and others in the care sector—and, indeed the care home owners and businesses. They provide excellent care, day in and day out, to the most vulnerable people in our society. We should not allow aberrations, however horrible, to cloud our judgment of those who discharge their duty with skill, compassion and professionalism. They work towards quality of life, dignity, respect and well-being with the unremitting best care and attention that we know exist.

I hope that the Minister will enlighten us as to why no mention was made of social care in yesterday's Budget, and why no mention was made of the NHS—our No. 1 priority and, until yesterday, what the Prime Minister said was also his priority.

The Joint Committee identified the areas on which this debate should focus. They were that human rights should be integral to policy making by the Department of Health as well as to the planning and implementation of services in hospitals and care homes; that human rights should underpin the work of the proposed health and social care inspectorate; that front-line staff in health care should receive appropriate education and training in human rights; and that there should be no discrimination on the ground of age in the provision of health care to older people. The Committee also highlighted the fact that the debate would be an opportunity to scrutinise the Government's response to the judgment of the House of Lords in the YL case, in which it was found that private sector care homes were not public authorities for the purposes of the Human Rights Act 1998.

The Joint Committee's report charted failings under articles 2, 3 and 8 of the European convention on human rights because of malnutrition and dehydration, and the inadequate assessment of a person's needs; articles 3 and 8, because of abuse, rough treatment, neglect, carelessness and poor hygiene, and bullying, patronising, and infantilising attitudes towards older people; and article 8 because of the lack of privacy in mixed sex wards—another broken commitment by the Labour party—and a lack of dignity, especially for personal care needs.

The report also noted failings under article 8 because of insufficient attention being paid to confidentiality, inappropriate medication and the use of physical restraint, too hasty discharge from hospital, fear among older people of making complaints, and eviction from care homes; article 14 because of the discriminatory treatment of patients and care home residents on grounds of age, disability and race; and articles 8 and 14 because of communication difficulties, particularly for people with dementia or people who cannot speak English. Those are the issues that underpin our debate.

The Department's responses on the question of human rights being integral to policy making and the planning and implementation of services were disappointing. In its response to recommendation 8, it failed to commit itself to a statutory constitution for the NHS. The wider concern is not just that human rights are left out. In December 2006, a consultation on the core principles of the NHS—we have committed ourselves to enshrining those principles in legislation—was undertaken by the Secretary of State for Culture, Media and Sport when he was Minister of State at the Department of Health. In it, the Government omitted the principle that

"Public funds for healthcare will be devoted solely to NHS patients."

Are the Government still planning to get rid of that central pillar of our NHS?

I would be grateful if the Minister provided me with a copy of "Better Policy-Making", a document that the Government pray in aid in their response. However, the response does not make clear whether the document highlights human rights in any way. I genuinely trust that the Government will not seek to divert the Joint Committee with such an action.

The Joint Committee also proposed that human rights should underpin the work of the proposed health and social care inspectorate. Like others, I had the privilege of serving on the Committee that considered the Health and Social Care Bill. I am glad that we have the opportunity today to hear from the Minister about the Care Quality Commission. One of our concerns is that, in the merger, social care will be squeezed out as a priority.

It was unfortunate that the Minister, who is responsible for social care, was not chosen to take that Bill through Committee. A number of Committee members would have liked to see him take charge of that Bill; we believed that we might have made more progress if he had had responsibility for the Bill rather than his colleague, the Minister of State, Department of Health, the hon. Member for Exeter (Mr. Bradshaw). Indeed, I know that that concern was shared by some of the Minister's colleagues.

The Commission for Social Care Inspection has said that it

"believes, in line with general Government policy, that the new regulator should take a strong rights based approach towards the people who use social care and health services...and their carers",

and there is a desire to "properly reflect" that "in the legislation". The official Opposition sought a number of changes to the framing legislation for the Care Quality Commission. One of the most important was to create a reference board consisting of commissioners, and a management board consisting of executives, at the head of the commission. That would have resulted in stronger governance, and the promulgation of human rights.

The Minister of State rejected that proposal on the grounds that he did not want to tie the hands of the new commission in its structure—a somewhat spurious argument, as the legislation as framed prevents it from having that structure should it so desire. One has to look at it the other way around. He may genuinely have wanted the freedom of that option, but the legislation was deliberately set out to ensure that that option was closed.

The Bill Committee also sought to establish a human rights committee within the CQC. The Minister of State refused that request on the ground that the advisory committee set out in schedule 1 to the Bill would fulfil that requirement. However, he also said that the advisory committee would be used for patient and public involvement. I wonder whether the Minister will take this opportunity to clarify those mixed messages.

It was also disingenuous of the Department, in its response to recommendations 20, 21 and 22, to say that it would take no action on human rights because it

"will not be specifying the precise work programme of the new regulator".

[Mr. Stephen O'Brien]

On health care-associated infections—the new phrase for what we used to know as health care-acquired infections—the Government have mandated action from the CQC in the Bill. Why are HCAIs more important than human rights? Why, for that matter, are such infections more important than malnutrition, which affects more people and also breaches article 2, 3 and 8 of the European convention on human rights? The Government repeatedly refused to include that in the Bill, and I hope that the Minister will shed some light on the illogical nature of the Government's contention. Does he believe that HCAIs are more important than human rights, and can he say why the Government were not prepared to include malnutrition in the Bill? As we argued in Committee, many people say that it is closer to a human rights issue.

It was encouraging to see the Joint Committee's focus on training in human rights for staff, a matter that the hon. Member for Hendon rightly focused upon. Training was discussed at length by the Bill Committee, and I hope that those discussions will be noted by the CQC. The other side of the coin is that staff should have the time to put into practice the things that they have learned.

In fact, the majority of those in the caring professions would deliver care compatible with human rights if only they did not have to contend with so many bureaucratic procedures and Whitehall top-down targets breathing down their necks. That argument is more generally pursued on the Floor of the House, so I shall not take time on the matter now, but I hope that hon. Members recognise that there is a consequence to managing the health service with such top-down targets.

I hope that the Minister will take on board our proposals for getting rid of distorting targets in our NHS. I would be interested to know when he intends to raise the recommendations with the strategic health authorities and training bodies, as he commits to doing in the Government response, and what measurable outcomes he is expecting.

Rightly, the Joint Committee also called for no discrimination on the ground of age. One specific issue that was picked up on in the Government response, which was raised by the hon. Member for Oxford, West and Abingdon (Dr. Harris), was discharge planning. The Government response to recommendations 1 and 2 showed some prevarication. We have an opportunity today to see if that prevarication can be addressed, as there were no measures in the Government response to strengthen discharge planning, which would ensure that older people's care was not compromised.

In their policy review for the official Opposition, my right hon. Friend the Member for Charnwood (Mr. Dorrell), who is a former Secretary of State for Health, and Baroness Perry of Southwark examined the experience of Sweden and Denmark, where hospitals can charge social services for extra bed days. In Sweden, notification of patients is made immediately on admission, social workers visit wards daily and discharges are planned in four stages during the patient's stay.

Lady Winterton, that is a system that we could usefully use in our shared county of Cheshire—we are neighbouring MPs—in which there have been plans to close nursing and care homes; plans that have left some very vulnerable people with some dramatic and at times life-threatening situations to contend with suddenly. Therefore, I hope that the Minister will be able to give some clarity and indeed commitment to taking action on the issue of discharge planning today.

The most disturbing issue regarding the empowerment of older people is the changes to, and failings of, the complaints framework. The CQC, unlike the Healthcare Commission which it subsumes, will no longer be a second-tier complaints handling body. Instead the Government intend to strengthen local complaints handling functions and pass unresolved cases directly to the parliamentary ombudsman, which initially will lead to an elevenfold increase in her work load. She is seeking extra funding from the Treasury to support her work and we can only hope that she is more successful than almost every other part of Government.

The Government have not yet told the House how much that change will cost the ombudsman. Given that the Opposition have been asking repeatedly for that information, I must say that that is something of a disgrace. How can hon. Members make the correct judgment if the Government withhold such facts from us?

Regarding the failings of the complaints system itself, the Government acknowledge those failings in their response to the Joint Committee, saying, in response to recommendation 32:

"We are sympathetic to the situation of those people who self-fund, in care homes for example, and recognise the problem. We are currently considering this issue."

I think that the Minister sought to make that point himself, to some degree, in his intervention on the hon. Member for Leeds, North-West (Greg Mulholland), who speaks for the Liberal Democrats on the issue.

The Health and Social Care Bill Committee and Report stages showed the failings of the complaints system to be a matter of cross-party concern. The hon. Member for Tamworth (Mr. Jenkins) criticised Government policy in that area. The hon. Member for Luton, North (Kelvin Hopkins) said:

"A number of my hon. Friends, not necessarily members of the Committee, are concerned about changes in patient representation and procedures for patients making complaints in recent years."—*[Official Report, Health and Social Care Public Bill Committee,* 17 January 2008; c. 346.]

The Liberal Democrats supported those comments, as did the hon. Member for Oxford, West and Abingdon, who has just had to leave his seat, and the hon. Member for Hendon on Report, as he rightly mentioned earlier in this debate.

Therefore, I hope that the Minister will be able to clarify his own comments on the issue. Speaking in a Westminster Hall debate, he said:

"it is unacceptable that self-funders should not have the protection that other residents have".—*[Official Report, Westminster Hall,* 11 December 2007; Vol. 469, c. 52WH.]

More cryptically, in September 2007—I do not have the exact date, but I am told that his comments have been verified—he told the "File on 4" programme—this shows that we listen to him at every opportunity—that he would be solving that problem through the integrated complaints procedure for health and social care in 2009, which is again cited in the Government response. However, the Minister of State, who led on the Health and Social

Care Bill, and the Department, in its response to this report, did not embrace the idea of a universal complaints system, nor did they suggest that that system would be achieved through the 2009 framework. Is the Minister reneging on that undertaking or, as I fear, is he just as disappointed as all the rest of us are with his own colleagues?

Will the Minister tell us exactly how the CQC will monitor trends in complaints? There was no suggestion in the Health and Social Care Bill that the CQC would do that; indeed, the Government rejected the amendments tabled by Opposition Members that tried to achieve that very effect. With the CQC losing its complaint function, how can we be sure that the early warning signals will be picked up by the regulator?

If I may, I would like to pick up a little on a point that I made earlier. The community health councils were axed. It may be frustrating for any Government but independent trusted bodies should have entitlements to visit hospital or care settings and bring forward generically all their collective wisdom, without necessarily having to individualise it. The councils were able to see trends and put out schemes such as bed watch and deal with all the other issues, which were always a major additional source of information about what was truly going on. There seems to be a lack of ability to collate and collect that information, and to ensure that it is generally made available in reports. That was one of the concerns of the bodies that will be succeeded by the CQC; they are concerned that that information will be lost. I fear that it will be a serious loss, both to the individuals who could be affected and for policy-making purposes for all of us, unless the Minister, who I believe would sincerely like to see those matters improved, is able to take that issue up with his colleagues.

I would like to address the issue of private care homes, which was raised by the hon. Member for Leeds, North-West. Although the human rights issue is naturally all-encompassing, political and public interest has recently been most exercised by the human rights loophole under which private care homes are not bound by the Human Rights Act 1998, and can therefore evict residents without breaching article 8 of the European convention on human rights, whereas their public sector counterparts cannot do so.

It would be nice to see the Government not dragging their feet over that issue. During the debate on the hon. Member for Hendon's private Member's Bill to clarify the Human Rights Act, which took place on 15 June 2007, the Solicitor-General, the hon. and learned Member for Redcar (Vera Baird), who was then the Under-Secretary of State for Constitutional Affairs and who is herself a human rights lawyer, talked the Bill out rather than bringing it before the detailed scrutiny and consideration of Committee stage, which is what the Opposition wanted and urged should happen at that time. Indeed, it is still our position that that matter warrants the detailed consideration of a Committee stage because of the difficulties—difficulties that we all acknowledge—of intertwining it into all other forms of law.

Mr. Dismore: The hon. Gentleman has referred to the remarks of the Solicitor-General. In fact, I recall her saying at that time that she hoped that the matter would be resolved by the end of that calendar year,

Mr. O'Brien: The hon. Gentleman advocates his position even better than I can, and I am most grateful that he was able to intervene. Therefore, we all doubly share in the disappointment, because we are already now in March of the following year, and that seems to indicate that there is a serious dragging of feet.

In the Westminster Hall debate on 11 December 2007, to which I referred earlier, the Minister who is present today called the current state of affairs an "anomaly", saying that

"neither Government nor Parliament intended that publicly funded residents living in private sector establishments would not be covered by the Human Rights Act 1998. That is an unintended consequence, and we need to put it right."—[*Official Report, Westminster Hall*, 11 December 2007; Vol. 469, c. 52WH.]

During the Committee stage of the Health and Social Care Bill, the Minister of State said:

"the Government are committed to ensuring that independent sector care homes are covered by the Human Rights Act."—[*Official Report, Health and Social Care Public Bill Committee*, 10 January 2008; c. 135.]

Why will the Government not deal with that matter now? If they are truly committed to dealing with it, what is the reason for the delay?

I hope that I have put questions to the Minister in a fair manner, and I am sure that he will take the opportunity to give us specific answers to the issues raised both by myself and the hon. Member for Hendon, whom I again congratulate on securing this debate. I also congratulate him and his colleagues in the Joint Committee on producing this report. I am sure that we will see some movement on the part of the Government, but there will still be too much prevarication and, as I see it, another attempt to find sufficient long grass to kick this issue into. I look forward to the Minister dispelling such a notion, which has obviously formed in my mind, and giving specific answers to the specific questions that I have posed. If, for any reason, he is not able to answer them today, I hope that he will be prepared to let us have some answers in writing.

Let us not forget that at the heart of this debate is the care of some of the most vulnerable people in our society. That is something that all of us, and I include the Government in saying that, take seriously, as we ought to.

3.59 pm

The Parliamentary Under-Secretary of State for Health (Mr. Ivan Lewis): I pay tribute to my hon. Friend the Member for Hendon (Mr. Dismore) for his leadership of the Joint Committee on Human Rights and for his personal advocacy on behalf of some of the most vulnerable groups in our society. I have appeared before his Joint Committee to talk about the way in which the health and social care system treats older people and, recently, about the often unsatisfactory way in which it treats people with learning disabilities. Both of those inquiries have led to a sharper focus on the issues and, ultimately, will lead to significant cultural, regulatory and other changes to the way in which the health and social care system relates to older people and those with learning disabilities. He deserves tremendous personal credit, therefore, for championing unfashionable causes.

The hon. Member for Oxford, West and Abingdon (Dr. Harris) made a very constructive and fair contribution to the debate and raised an interesting point about the difference between recommendations and conclusions

[Mr. Ivan Lewis]

Of course, if any elements of the Joint Committee's report have not been responded to adequately, I am more than happy to have a fresh look at them.

I am delighted to say that the hon. Member for Leeds, North-West (Greg Mulholland) made a fair and balanced contribution, which is a new approach from him to these issues. I welcome that very much. I do not want to contradict him, because his contribution was extremely constructive, but he made one inaccurate comment, and it is important to the debate about the YL judgment that we get this clear: neither publicly funded nor self-funded residents in private homes are currently covered by human rights legislation. His case was that in the future both groups should be covered. He would like us to go further than simply dealing with the anomaly and unintended consequences of the YL judgment. I accept that perfectly legitimate position, but his description of the situation—that one group of residents is covered, but the other is not—was incorrect.

Greg Mulholland: I appreciate the Minister's constructive comments. I was probably not clear. I was trying to say that we must not move to a situation in which publicly-funded people in private care homes are covered, because that would move us from one loophole to another. That was my point—it was not a description of the current situation—but I accept that I probably did not make that clear.

Mr. Lewis: I accept that clarification and shall come on to that issue later. We have a problem with the definition of "public authority", which makes this quite a complex problem to resolve. Nevertheless, the hon. Gentleman made a fair point; I just wanted to clarify the current situation.

The hon. Member for Eddisbury (Mr. O'Brien) made a consensual contribution and recognised that both sides of the House feel very passionately and strongly that the rights of older people should be a priority for Government, Parliament and society. Those outside the House might demonstrate wry amusement at the fact that he is a passionate advocate for the Human Rights Act and for further regulation and legislation on this subject, in view of his proud track record as a deregulator and a severe critic of the notion of human rights legislation. I am delighted, therefore, to hear him speak so positively about the importance of such legislation and its capacity to protect older people. It seems that when human rights apply to vulnerable people, there is a common view that we as a society have a duty to look after them properly, but when they apply to other groups in society, about which there is not the same level of enthusiasm and support, people deride the whole notion of human rights. I think that we need some consistency in the debate.

The hon. Gentleman said that the Chancellor failed to mention the NHS during his Budget speech, but he referred on several occasions to the record levels of investment that the Government have made in the NHS. I understand why he did not want to hear that bit of the Chancellor's statement, so I am happy to repeat it. I am also happy to repeat the fact that by the end of 2008 we will have achieved a historic landmark in the NHS—a maximum wait of 18 weeks from seeing one's GP to hitting the operating theatre. Not only has there been record investment, but a major improvement has been made in people's experiences of NHS care and treatment.

On 1 April, the most radical transformation programme in the history of social care will begin in every local authority area, with a focus on information, advice and advocacy for all and, of course, personal budgets putting maximum power and control in the hands of those who use social care services and their families. As the hon. Gentleman is fully aware, we are committed to a Green Paper on the long-term fundamental nature of our care and support system. There is no doubt that the investment and reform of the NHS and social care system is one of the Government's top priorities. More important than priorities, the Government's track record over the past 10 years on the NHS and social care is impressive. Older people have benefited disproportionately from that record investment, which is frequently forgotten. There has been improvements in acute care, hip replacements, cataract operations—people used to have to wait years for such treatment. Older people have benefited more than any other group in our society from those tremendous advances.

The hon. Gentleman referred to a piece of work conducted for him by the right hon. Member for Charnwood (Mr. Dorrell)—a very distinguished former Secretary of State for Health—detailing a radical transformational vision for the future of social care services in this country. It stated that we needed better and more integrated commissioning between health and social care, but that was the end of the comments on the Conservative party's position for the future of social care, although I am sure that more will be said in the future. Nevertheless, I genuinely welcome the fact that the hon. Member for Eddisbury cares passionately about the issues before us and seeks, wherever possible, to find consensus on them.

I endorse what the hon. Gentleman said about those on the front line of delivering services. The difficulty with debates such as this is that they are usually based on a deficit model of care. We highlight all of the appalling and dreadful failings and abuses taking place. Of course, too often elderly people and their families describe those circumstances to us and we have a duty to act. Equally, however, every day of the week, in every community, people on the front line of NHS and care services do an extraordinary job, frequently in very difficult circumstances. We should make that clear when we talk about our overwhelming responsibility to improve the system and to ensure that cases of neglect, abuse and poor care continue to be minimised.

Politicians accept the notion that the great national and international challenges facing us are climate change, the effects of globalisation and fundamentalist terrorism, but very few people acknowledge that demography should be up there as one of the top four or five public policy challenges facing our society and those in many similar countries. People are now living longer, which means that more people have complex conditions such as dementia. Furthermore, people have very different expectations. These days, the vast majority of people, given an authentic choice, want to remain in their own home rather than enter institutionalised care, whereas, perhaps 20 years ago, our parents or grandparents were

resigned to the fact that they would live to their 60s, if they were lucky, and spend the latter part of their life in institutionalised care.

Members of the baby boom generation are increasingly concerned about those issues, not only because of self-interest and worries about their own future, but because they are coming into contact with the health and social care system through the experiences of their ageing parents. Frequently, those sons and daughters find the system frustrating, particularly the division between health and social care. They also find that their elderly parents are not treated with the respect that we would like. I have set a test; people should ask, "If the care is not good enough for our mothers and fathers, why should it be good for somebody else's?" That simple test should be applied to every NHS ward, nursing and residential home and domiciliary and day care service.

The NHS and social care systems do not function in isolation from the rest of society. We have a deeply negative culture and attitude towards older people in society generally, and it is frequently reflected in the NHS and social care systems. I am a great believer in the human rights legislation being the starting point for, and the heart of, health and social care thinking, systems and policies, but even if we had a utopian application of the Human Rights Act 1998 in its strictest sense, we would still need to address some major cultural and attitudinal issues. Older people are not just passive recipients of our sympathy; thankfully, they make a tremendously positive contribution to their communities and our society, and we should highlight it far more.

Several issues were raised in today's debate and in the report. First, I shall describe what the Department of Health is trying to do internally to ensure that human rights have a far more significant role in the development of policy. The hon. Member for Eddisbury referred to better policy-making guidance for officials in the Department. The guidance includes clear references to a human rights perspective and the consequences of human rights legislation. The impact assessment process is relevant to all policies, and equality is an important part of that. Part of equality is human rights and the human rights legislation. The Department is also working on a human rights e-learning tool, which will be available in the autumn. The tool is designed to make people far more aware of the position of human rights at the heart of development and training.

I shall deal with the Department's ability to influence change on the ground. First, on the YL judgment, there is absolutely no doubt that Parliament and the Government intended publicly funded residents of private homes to be covered by the human rights legislation. As a consequence of a court judgment, they are not, but the Government are absolutely determined to ensure that the original intentions of Parliament and the Government are restored. The question is how do we best do that in terms of the legislative process? Discussions are active and ongoing between myself and ministerial colleagues in the Department of Health and the Ministry of Justice, and we will be able to make clear to hon. Members in the near future how we intend to correct that anomaly.

The hon. Member for Leeds, North-West expressed some concern about self-funders. Correcting the YL judgment would deal simply with people who were publicly funded, but because social care is a means-tested system, an increasing number of people are self-funders. Owing to the implications of the original focus of the Human Rights Act, it is much more difficult and complex to extend the correction of that anomaly to self-funders, because we would then get into a situation involving the definition of "public authority". On the sentiment, however, we have a responsibility through whatever means to ensure that in a means-tested system, self-funders have far greater protection—even though it may be difficult to do so through human rights legislation.

A major part of the social care reform programme that will begin in every local authority area over the next three years will be an end to the "no help here" culture, in which people who fund themselves, or their families, are essentially left to navigate the care system alone. The transformation programme seeks to commit local authorities no longer to have a "no help here" culture. Depending on its implementation and delivery, I think most people will welcome it.

The hon. Member for Eddisbury rightly raised the right of people to complain beyond the organisation or provider about whom they are complaining. The difficulty is that if people are publicly funded recipients of care, they can go to the local authority, use its complaints procedures and ultimately go to the ombudsman, but if a self-funder wants to make a complaint, they can go only to the provider against whom they are making the complaint; there is no independent vehicle or organisation to which they can turn. We must do something to address that anomaly, and officials are considering the issue. I am not able to tell the Chamber the solution that we have come up with, but we must create a level of independence for self-funders when there is nowhere for them to go other than to the organisation against which they are making the complaint.

The Government remain committed to minimising mixed-sex accommodation in the health service. This year in the NHS operating framework, we have set stretching targets for every strategic health authority and primary care trust to minimise mixed-sex accommodation. We have made much progress over the past 10 years, but not as much as we had hoped, and the only difference of emphasis is the definition of mixed-sex wards versus mixed-sex accommodation. My colleague Lord Darzi made it clear that he thought the term "mixed-sex wards" was an error and we should not have made a commitment to abolish them because it is unachievable. However, we remain committed to the minimisation of mixed-sex accommodation in the health service, and we have made it clear to the NHS locally that we expect it to be a priority where there has not been as much progress as we expected.

Premature discharge is a very difficult issue, because if older people are in hospital for a prolonged period unnecessarily, all the evidence suggests that their mental and physical health deteriorates. The challenge is to ensure that we have in every community an appropriate range of provision—intermediate care, step-down care, proper domiciliary and day care services—and the appropriate relationship between the local NHS and local government, so that, from the point of view of patients and carers, that Berlin wall does not get in the way.

As my hon. Friend the Member for Heridon said, it is important that we get the issue right for individual patients and in individual circumstances. It is irresponsible to discharge people when they have not fully recovered

[Mr. Ivan Lewis]

or into a care setting that is not appropriate to meet their needs. Overall, however, it would be a mistake to take the pressure off the policy of getting people out of hospital as quickly as possible, because from my experience of my relatives and other older people, the longer they remain in hospital, the less likely they are to make a full recovery. But that depends on our having appropriate alternative provision available.

Mr. Dismore: I certainly think that that approach to discharge is the right one; I do not dissent from it. Our concern was that without a degree of flexibility, either in the rules or elsewhere, that ideal will not be reached. We recommended guidance from the Department that would effectively put in black and white what my hon. Friend just said. Will he consider whether it would be appropriate to produce such guidance?

Mr. Lewis: What is appropriate is that people implement best practice in care. If we need to clarify that, I am certainly willing to do so, but I would not want to give any impression that we were returning to the days when older people were left to languish on acute NHS wards, entirely inappropriately, for long periods, which led to a deterioration in their mental and physical health. We can certainly consider how to make it clear what best practice is.

I shall run quickly through some other relevant changes that we are making. In terms of messages to the NHS, we have issued "Human Rights in Healthcare", a framework for local action. In guidance on how NHS trusts should implement equality schemes, we have included age, even though there is no legal requirement to do so. As for the regulators, the Healthcare Commission and the Commission for Social Care Inspection have approached their regulatory responsibilities with a strong human rights focus, particularly CSCI when making judgments about the quality of social care provision. In respect of the new Care Quality Commission, there will be new provider registration requirements from 2010. We will consult on those and make it clear that the convention on human rights should be a significant guide for the new requirements under the commission.

On the training of front-line staff, we are bringing together regulators and providers of education and training at an event in April at the Equality and Human Rights Commission, specifically to consider those who have the most influence over the training of leaders, managers and front-line staff. We want to talk to them about how the content of training can more appropriately reflect human rights legislation and a human rights culture. We will hold a similar event in May, but it will be aimed at front-line staff, leaders and managers in the health service and social care system.

I should like go into more detail about the other levers that will make a difference to achieving the aims of the Human Rights Act. I shall just reel those off before bringing my remarks to a conclusion so that my hon. Friend the Member for Hendon can speak. I believe that world-class commissioning should make a major difference in securing human rights. I believe that our national campaign to put respect for dignity at the heart of health and social care is making a difference, and I shall announce the extension of that campaign soon. I believe that the development of CSCI standards towards star ratings will make a difference, as will the development of a national dementia strategy this year.

The roll-out of psychological therapies means that older people in every part of the country will have much greater access to such therapies. The new deal for carers, which will be announced by the Prime Minister later in the spring, will hopefully lead to major changes in the experience of family members, who are often not treated as we would like them to be treated by the health and social care system. Equally, caring itself has an impact on the health of carers, and we need to consider that as part of the new deal.

I have referred to the transformation agenda in social care. Putting more power and control into the hands of the people who use the system through personal budgets and greater information, advice and advocacy is far more likely to lead to packages of support consistent with the Human Rights Act 1998 than the historical or traditional way of providing services. We are reviewing the entire system of adult protection in this country, and that review will cover the way in which vulnerable adults are protected by the health, social care and criminal justice systems.

I have mentioned the Green Paper on the future of the care and support system, and my colleague Lord Darzi is in charge of a review that will ask, "Having fixed the foundations of the national health service, how do we move towards creating a world-class health service?" Creating a world-class health service involves more than just celebrating the fact that most people in this country are very satisfied with the quality of clinical care that they receive from the NHS. People are nowhere near as satisfied with the personal care that they often get on NHS wards, for example, and that is particularly relevant to older people, and to customer care. As well as improving clinical care in the NHS and the relationship between the NHS and social care over the long term, it is incredibly important that we improve the personal care, not just the medical care, that people receive, in the NHS.

We are also considering a new constitution for the NHS, with a focus on rights and responsibilities for both staff and patients as well as on greater accountability to local communities when making decisions about the NHS than may have been the case in the past. Culturally, there has not been the same openness in the NHS as in local government and other public services, so we need to consider what mechanism we can introduce to make the system more accountable and give patients and communities more power and control over the decisions that are made and the services that are developed.

Mr. Dismore: My hon. Friend has touched on most of the issues that I raised, but I should like to ask him about two in particular. One is the British Institute for Human Rights pilot. When will the evaluation be completed, and when will the subsequent roll-out happen? The other is the whistleblower duty. Will that be included in the care standards regime?

Mr. Lewis: On the new regulators' duties and whistleblowers, I cannot give my hon. Friend a definitive answer, as we are considering the issue at the moment. However, the new standards will be put out for consultation. It is certainly one of the issues that I am considering.

Ipsos MORI has been commissioned to conduct an independent evaluation of the pilots. Once we have received it, we will decide how to mainstream them through the national health service. We want to look at best practice and the trusts that have operated a human rights approach, then consider the implications of mainstreaming that approach throughout the health and social care system.

This debate has demonstrated that the Select Committee's report has led to significant change. The human rights debate in health and social care has been given much more serious attention than before, but I say to my hon. Friend the Member for Hendon and other hon. Members that we still have a considerable way to go. Part of it will involve legislation and regulation, but some of it involves cultural and attitudinal change.

4.28 pm

Mr. Dismore: I shall not say a great deal, because we have had a good debate. I appreciate my hon. Friend the Minister's approach. He will receive a letter to remind him of those of our findings that were not recommendations.

I think that the question of the YL case has been troubling for everybody. The problem is that the Human Rights Act applies only to public authorities; a lot of people do not know that. That is where the difficulty has arisen. The Committee argues that, at least in the short term, we should return to where we were, or where we thought we were, before the YL case, so that publicly funded people in private or voluntary sector care homes have the protection of the Human Rights Act, which should be directly enforceable by residents, if necessary, against providers. The present post-YL system makes enforcement extremely indirect and difficult. We want direct enforcement.

The wider issue of whether privately funded people should be included is more complex, partly because that was not what was originally intended by the Human Rights Act. It also raises wider issues about what is known in the human rights trade as horizontality—the right of private citizens to enforce rights against other private citizens or private bodies. That is why it raises significantly wider issues in relation to the human rights debate and, ultimately, the debate about the Bill of Rights. That is not to say that private funders should not have additional protections, but it is another question altogether whether that can be done through the YL reform mechanism. There is an argument that because there is significant state regulation of private sector care homes, they are therefore brought within the public authority definition. However, that is a complex and convoluted legal argument, and I shall not go into it in detail.

When the Committee was considering what amendment to the Health and Social Care Bill to propose on Report, we thought it better to go back to where we were before YL and let the arguments about private funders be resolved differently. As my hon. Friend the Minister has said, we should try to find better ways of protecting them without getting bogged down in the Human Rights Act. The problem has to be dealt with differently, because private provision goes far beyond people in care homes: it concerns adults with learning disabilities and people who receive publicly funded education in private schools. A whole range of additional services could be affected, so the issue is much wider. My Bill would refine the definition of a public authority to include such service providers. If we are to go beyond that into private enforcement by private individuals against private companies or people, it would involve a much bigger human rights argument, which has to take place in the wider context of the Bill of Rights debate. We want private funders to be protected, but not in that way.

Mr. Stephen O'Brien: The hon. Gentleman and I are both trained lawyers, so there is grave danger of our getting into a luxurious debate as lawyers. He has put his finger on what is relevant: we must consider the restricted area of amendment, because to go down the private-to-private route would invade privity of contract. That could create a difficult legal position, leading one into the equivalent of tort and duties of care. I must correct the Minister on one issue: the invocation of the Human Rights Act presents problems, which is why both parties are talking about a Bill of Rights, under which one could have rights, responsibilities and duties, and which would make duties in the private sector enforceable. Under the Human Rights Act, that is difficult both as a legal concept and in terms of society.

Mr. Dismore: I have listened to the hon. Gentleman. The Committee will produce a report on the Bill of Rights debate in which we will discuss social and economic rights, although I do not know what conclusions we will reach. We will also discuss horizontality, or private enforcement against private bodies. That issue concerns much wider arguments and debates than apply here. The important thing today is that we hold the Government to their commitment to turn the clock back, and put the law back to what everyone thought it was before YL, when the House of Lords got things wrong.

Greg Mulholland: I accept that there is a legal debate, but I am not a lawyer, so I cannot contribute to that debate. I acknowledged in my speech that there are challenges in trying to adapt the Human Rights Act in this case, but does the hon. Gentleman agree that the general public will find certain situations hard to accept? For example, if two people are in the same care home and one of them has been means-tested and is publicly funded, whereas the other does not qualify and has to pay, that may mean that one of them is covered by the Act and one is not. Never mind legal reality, common sense says that that simply is not fair.

Mr. Dismore: I am afraid that people in more or less equivalent positions often have vastly different rights. There are many examples of such situations. I should like everyone to be protected by the Human Rights Act in every circumstance, but that cannot be done through the mechanism that the hon. Gentleman advocates. I do not want to get into a completely different debate, especially as it would get very technical, but the Act is there to protect people who receive services from public authorities. As a result of the YL case, a private care home is not a public authority. We can correct the problem for publicly funded recipients of care services, because they were originally intended to be covered by the definition of a public authority. Indeed, there are several mechanisms by which we can make that change, and the Government will have to choose which mechanism to use. The difficulty arises when we try to bring into the

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equation self-funders, who have no direct relationship with the state, because that means trying to make the Act do something that it was never intended to do—protect self-funders in relation to private providers.

There is a convoluted argument that if there is significant state regulation, that is sufficient to make something a public authority, which it would not otherwise be. I am not entirely convinced by that argument, although I see where those who make it are coming from. In the interim, we have to find another way of protecting self-funders, which is what the Government are trying to do. In the long term, we must reform the definition of public authorities so that everyone who receives public services is covered, not just those in care homes. I gave examples earlier of others who might be covered. That is reform No. 1.

Reform No. 2 concerns the wider issue of horizontality, or the extent to which human rights should be directly enforceable more generally, outwith the issue of care homes, between private individuals or between private individuals and companies. That is a wider argument, and it falls within the much bigger debate on the Bill of Rights. There are therefore three different stages: sorting out the YL case in relation to care homes, sorting it out in relation to the wider recipients of public services, and sorting out the general issue of those who receive privately funded services from private organisations.

Each of the three stages has a different solution. In the meantime, we must try to find a way of protecting private funders in care homes through other mechanisms, giving protection that is equivalent to human rights protection. In the report, we discussed whether it would be possible to provide better protection against eviction, not necessarily within the context of the Human Rights Act, but under landlord and tenant law. The issue is one where non-lawyers might fear to tread—

Mr. Stephen O'Brien: And lawyers.

Mr. Dismore: Indeed. The more one gets into it, the more complicated it becomes. That is why the Committee decided to propose a relatively narrow amendment to the Health and Social Care Bill to return the position with care homes to how it was before YL. That is the cleanest way of dealing with the matter in the interim. There are wider issues to be addressed, but not by using the Bill. Other things can be done to provide those protections, without necessarily involving the Human Rights Act. The issue is very complicated.

I agree with my hon. Friend the Minister that demography is one of the great challenges facing society. When he spoke about policy-making guidance and the impact assessment, he said that human rights are part of the equality duty, but it is the other way around. Human rights provide all-embracing, universal protection, of which equality is one element. He might like to reconsider that point. The hon. Member for Oxford, West and Abingdon (Dr. Harris), who is an active member of my Committee, talked about the need for NICE to have a positive duty to promote human rights, and I do not disagree with that point. He also spoke about quality-adjusted life years, which we should discuss in more detail in future. Once we started to tackle that subject, we realised that it is incredibly complicated. The hon. Member for Leeds, North-West (Greg Mulholland) talked about the duty of confidentiality. That issue is important, and it is raised in our report.

The hon. Member for Eddisbury (Mr. O'Brien) raised several important issues. He also echoed my tribute to all those who do good work. As my hon. Friend the Minister said, it is important that we do not forget that many people do a lot of good work in difficult circumstances. When we focus on aberrations, that should not take away from their work. We need a rights-based approach from the new commission, as the hon. Member for Eddisbury said, and I am sure that we will keep returning to that point. The YL case is a thorn in the side of everyone who is involved in this business, and I hope that the Government will propose their amendments when the Bill starts its progress through the other place.

Question put and agreed to.

Adjourned accordingly at twenty-one minutes to Five o'clock.

Westminster Hall

Tuesday 18 March 2008

[MRS. JOAN HUMBLE *in the Chair*]

Water Strategy

Motion made, and Question proposed, That the sitting be now adjourned.—*[Siobhain McDonagh.]*

9.30 am

Matthew Taylor (Truro and St. Austell) (LD): I am very pleased to have the opportunity to initiate this debate, although I would probably be more pleased if I had not initiated rather a lot of similar debates over the past 20-odd years. In a sense, this feels like a return to old ground, but as I speak I think that it will become clear that I am not looking simply to repeat what has been said before. There are some immediate issues to address, particularly given that Ofwat is in the middle of a consultation on its review of water charges and pricing—PR09—and that the Government have just released their strategy, "Future Water". Over the next year, we will set the agenda for the future of the water industry, and that will not be just for the five years that Ofwat has traditionally considered in its reviews—we could be talking about a 20-year horizon. The debate is therefore extremely timely, and I hope that things will move on in a way that they have not always done in the past.

I am not sure whether I should declare an interest, but my wife has been very involved in the issue. She formerly ran Surfers Against Sewage and wrote a response for it on these matters, and she has done some work for South West Water. If that is an interest, then I have it—my wife is certainly interested in this debate, if I can put it like that.

I have returned to the subject more often than any other during my career in the House of Commons. I warned the Conservative Government that their privatisation of the water industry would cut off the potential to secure the public and European moneys necessary to clean up our beaches and that people in the south-west, who are on some of the lowest incomes in the country, would be left to foot the bill. They proceeded regardless, and left only £1.5 billion for a clean-up programme that actually cost £6 billion—four times the amount that they had assumed. That is why South West Water customers continue to pick up the tab to this day.

Much of what I have to say will be relevant in the national context, but I must first focus on the situation in the south-west. Households with water meters account for two thirds of users—there is a very high penetration of water meters in the south-west because of the high bills—and can expect to pay an average of £397 in 2008-09, which is up 5.6 per cent. on last year. Many of the remaining, unmetered users are unable to switch to meters because their properties do not allow it. They do not necessarily use large amounts of water or choose to avoid installing a meter in the hope of saving money. Many of them are poor, and the problem has been of concern to the Minister, who has spoken about it publicly in the past few days. Such users face an even bigger rise of 8.7 per cent. and will pay £686 on average. That figure will go up all the time because the more people switch to meters, the higher the charge for those who are still unmetered.

Mr. Colin Breed (South-East Cornwall) (LD): The recently announced rises have meant that some people in my constituency—and, I suspect, in my hon. Friend's constituency and in others in Cornwall—*now* use almost 10 per cent. of their disposable income to meet their water bills. Given that those are combined with energy, council tax, food and other bills, it is becoming a massive problem for a lot of households on unmetered supplies.

Matthew Taylor: My hon. Friend is spot on. To give an example, the average bill of a south-west pensioner on a meter suggests that they will spend almost 10 per cent. of their pension on water bills. For those who are unmetered, the average bill implies that they will spend 15 per cent. People in my area have the lowest incomes in the country, so the impact is felt much more broadly. In London, where wages are much higher, bills are much lower—the average bill is £304.

Julia Goldsworthy (Falmouth and Camborne) (LD): Of course, none of this should come as news to the Government. In 2004, their cross-governmental review of water affordability found that a single pensioner living on the minimum pension credit and paying an average South West Water water and sewerage bill would be required to use 7 per cent. of their disposable income. The question is why the Government have done nothing before now.

Matthew Taylor: There is a real concern that there has been precious little progress on this subject over 10 years of Labour government. As I say, there is an opportunity for substantial change, and that is what I am looking for. There has been some effort at mitigation, as my hon. Friend knows, and I shall talk about that in a moment. Nevertheless, more fundamental change is needed.

David Taylor (North-West Leicestershire) (Lab/Co-op): It is interesting that the penetration of water meters in the south-west is the mirror image of that in the rest of the country, where 70 per cent. of water is unmetered. The privatisation of water, as the hon. Gentleman prophetically indicated all those years ago, has been something of a disaster in many senses. Since that era, UK-wide household demand for water has gone up by about 55 per cent. Does he have any statistics showing whether that figure is lower in the south-west because of the higher penetration of water meters?

Matthew Taylor: I do not have the figure, but I suspect that it is lower, and there is evidence that people with meters use somewhat less water, for obvious reasons. Irrespective of the introduction of water meters, however, there has been a universal increase in water usage because of the move to dishwashers, washing machines and all those other things that make quite intensive use of water. In the long term, part of

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the solution to the problem of keeping bills down is to make more sensible use of water, and I shall come to some of the big issues that that raises.

Having debated this issue in the House in April 2007, I and other hon. Members from across the parties had a meeting with the Minister before Christmas. It was a positive meeting, and he made some very positive comments, but we now need to move forward and to take action.

The results of Ofwat's consultation on its approach to the current price review—PR09—are due out next week. New price limits for 2010-15 will be calculated over the coming months and will be published next year. Ofwat is also consulting on its future strategy for customer charges for water and sewerage services. As I said, the Government have also published their strategy, "Future Water". Over the coming year, therefore, many of the issues will be fundamentally settled for the short term. As I said, Ofwat is looking much longer term and it is asking companies to do the same, which is welcome. We are talking not just about the next five years, so this is a decisive moment.

I want to address two core issues. One is fairer ways of dividing the costs, and the other is better ways of dealing with the costs—particularly diffuse pollution and climate change—in the first place so that we can bring down water bills in the long run, rather than simply redividing them. In that sense, I want to talk about solutions, not the history of the problem.

The best way to shift the burden from customers in the south-west—I have always argued this and I will say it again because I could not possibly take part in such a debate without saying it—would be to redistribute the costs more fairly across the country. The principle on which the Conservatives undertook privatisation, which landed 3 per cent. of the population with a third of the beach clean-up costs, was wrong. In the 1970s, the Labour party introduced legislation to allow costs to be shared across the country, but it was never used; indeed, it was also the Labour party that ultimately removed that legislation. The millions of people across the country who visit the south-west and who regard the country's beaches as a national asset are paying nothing or very little towards the clean-up costs. The burden falls on a relatively small number of people; hence the very large bills.

I should like a mechanism for redistributing more evenly across the country the environmental costs of maintaining a landscape that is part of the national heritage. It could be done through the benefits system—I know that South West Water has advocated that—or through national funds. I know that as the Conservative Government started to lose seats across the south-west they began to consider whether more funds could be put in, but that the suggestion was turned down at Cabinet level, despite a recommendation from the Secretary of State. The issue destroyed the Conservative party in the west country and it could still cause great difficulties for Labour Members there.

The principle in question is already accepted: Northern Ireland water bills are capped with UK taxpayer funds. It is accepted in relation to Scotland's electricity bills, with prices capped by UK funds. I do not understand why Ministers always argue that there is a problem in principle. Indeed, in the last debate, the then Minister suggested that a national fund to meet the extra costs in the south-west could weaken the link between South West Water and its customers. To be honest, that is a link that South West Water customers would be only too happy to have weakened. It could be argued that it would create a new link between them and the Government, which they might feel was more appropriate.

The argument that all areas at one time or another must pay more for necessary costs will not wash either. It is true that different areas must pay for different investment at different times, but the south-west always pays the most, for the most investment. The suggestion that the situation is a case of swings and roundabouts rings particularly hollow. We are always on the swing and everyone else is always on the roundabout, which is substantially cheaper.

I do not want to suggest that I have given up, but I know that the position I have set out is not accepted by the Government or the previous Conservative Government, so I have some suggestions for things that could be done even if the Minister does not follow the route I have outlined.

Miss Anne McIntosh (Vale of York) (Con): I ask the hon. Gentleman to imagine waking up tomorrow as Environment Minister in a Liberal Democrat Government. What would his party do? Would he do what he invites the Minister to do, and ask those of us in landlocked constituencies to pay for the clean-up in other parts of the country? Is that what he says a Liberal Democrat Government would do? With local elections coming up, it would be interesting to know the implications of a Liberal Democrat Government for water bills throughout the country.

Matthew Taylor: If the cost were spread across the country the implication for water bills would be extremely small and the benefit for people in the south-west would be extremely large. When the Conservatives privatised water they promised that what I have been talking about would not happen. They said that they had put enough money in the pot from privatisation receipts to pay for the clean-up. That was a national receipt, which, it was implied, was a contribution from around the country. The Conservatives got it wrong: they calculated the money wrongly. They landed South West Water customers with higher charges and lost most of their seats in the south-west as a result. I think that the hon. Lady should apologise for the Conservatives' record, rather than complaining that someone is trying to get something done about it. Had they done something, they would have more seats now.

There are various routes by which what I suggest could be done. One would be to make the benefits system responsive to the cost of water bills, as it is to other charges, such as council tax in particular, which people pay differentially in different parts of the country, so that people in high council tax areas get more benefit. No one complains about that principle and I do not think that the hon. Lady wants to change it. I see no reason why the same principle should not apply in the case that I am talking about. However, I also want to talk about ways of mitigating the cost, which would reduce the impact on everyone.

Miss McIntosh: Will the hon. Gentleman give way?

Matthew Taylor: The hon. Lady can explain what the Conservative party has to offer in her speech later.

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): Does the hon. Gentleman agree that one of the difficulties is that there is no help in the benefits system for anyone who experiences the problem that he describes? Does he also agree that many of the constituents of the hon. Member for Vale of York (Miss McIntosh) have no doubt visited Cornwall and enjoyed the wonderful beaches there and in Devon?

Matthew Taylor: Indeed. It is possible that the hon. Member for Vale of York has done the same.

Bob Spink (Castle Point) (Con): With a seaside constituency myself, I have great sympathy with the hon. Gentleman, and I greatly admire his consistent fight on the issue; he is right. However, the real failure is not privatisation, and it is not to do with looking back—although the detail could have been better. Nor is it the fact that the water companies and Ofwat, the regulator, allowed prices to increase. Prices had to increase to pay for pipes to be mended, for reinvestment, and for conserving and helping the environment. The real failure was not finding a viable alternative for unmetered users. I hope that he will get to grips with the specifics of what can be done, so that we can work together, across the House of Commons, with the Minister, who has this weekend been pushing on the matter, to find a solution.

Matthew Taylor: I thank the hon. Gentleman for that comment, although I am not sure that I would use the word "detail" to describe the errors made in privatisation. In my part of the world, that detail is regarded as pretty fundamental. Apart from that, I agree with much of what he said.

I do indeed want to turn to the discussion of practical measures, which I think the Minister is open to considering. Indeed, in last year's debate the Government confirmed that they were working with Ofwat, water companies and the Consumer Council for Water, to consider charging options and alternative tariffs, and that a working group including the Treasury, Ofwat, the water companies and Consumer Council for Water representatives had been set up to advise on fairer charging for lower-income groups. The latest water strategy document makes a commitment to commissioning an independent review of metering and charging. The problem is that water customers everywhere will be wondering quite how many Government reviews it takes to change a water bill. It would be nice to move from reviewing to doing, and I shall make some suggestions along those lines.

We have a charging system that needs a complete overhaul. That can be easily demonstrated with the examples that I have given from the south-west. Changes have taken place in the past few years in an attempt at mitigation. The vulnerable groups tariff, for example, means that people can apply to pay on a tariff that reflects average charges, or lower, if they are particularly vulnerable. However, it is too narrow in its reach. It excludes the many low-income households that have fewer than three children, or that live just above the income benefit threshold. Not only that: for those who qualify, bills are capped only to the average for the area, which in the south-west is still above what is affordable, when we consider that the families are by definition in very low-income groups and highly vulnerable. Some steps could be taken in that regard, if the Government were to work with Ofwat and the Consumer Council for Water to change views on cross-subsidy, to allow innovative tariffs to assist with affordability. For example, South West Water has argued that there would be a benefit from a national scheme funded through a levy on all bills, as happens in the energy sector, with the Warm Front scheme. Again, I do not understand why those national levies are regarded as acceptable in one sector but not in the water sector, where bills are similarly high and where the environmental issues and reduction of water use are of similar importance.

Under Ofwat rules, it is very difficult to target specific groups, and the result is that the help that is available can help the multimillionaire in a penthouse as much as the single pensioner in a council house. That is to do with how the water regulation system was worked out, and also with the way Ofwat interprets it. I think that change is needed.

David Taylor: Will the hon. Gentleman briefly consider the strengths or weaknesses of the increasing block tariff, which allows for cheap basic water for essential purposes, and rather higher rates beyond that, which may be seasonally adjusted as well? That seems to have considerable attractions, does not it?

Matthew Taylor: As it happens, that was exactly where I was about to turn in my remarks, but I wanted to outline the context to some of the targeted measures, because even for a rising block tariff it would probably be necessary for measures to address the needs of the most vulnerable, whether through the benefits system or specific changes in tariffs to affect individuals. Indeed, we know that that would be true for those with disabilities or large families, who may need to use relatively large amounts of water. We need a system sensitive to that. One option is a system that shares data so that water companies can adjust bills according to data from the benefits system, for example. If the Government believe that that is not possible, the regulator has suggested that such households should be able to apply for help. My concern with applying for help is that, as we know, means-tested and application-based systems such as help with council tax are not taken up by many of the most vulnerable. Frankly, though, anything would be better than the current circumstances.

As the hon. Gentleman suggests, the possibilities of a rising block tariff are strong. There is a strong consensus about that among most south-west MPs and a lot of interest among MPs throughout the country. I know that the Government are considering it. It would mean that metered households paid an affordable amount for their first block of water. People would pay a set charge and get in return enough water for a normal household for the year, and if they used large amounts of water—if they had a swimming pool or left their sprinklers on in the garden all through the

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summer—they would pay much higher charges. It is those later blocks, which would incur higher charges, that add so much to the cost for the water companies. They require a greater draw on reservoirs, higher system capacity and more purification and treatment and waste water.

The rising block tariff makes sense from an environmental point of view, it makes sense for charging and, most of all, it makes sense for ordinary hard-pressed families in water bill areas, particularly in the highest-priced area, the south-west. Specific affordability tariffs will be needed for certain groups, and we must consider how best to put those in place. On a particularly bright note, from my point of view, it also means that we would get rid of the situation in which tens of thousands of second home owners in the south-west, realising that they are not at home very much to use water, have fitted water meters and pay next to nothing for their water bills, even though the reason why they are there is to use the beaches that have been so expensively cleaned up. Under rising block tariffs, people would have to pay for the year's water, and therefore for the clean-up of beaches, whether or not they resided there enough to use it. Although opinions may differ on that, it would be given a big thumbs up in our part of the world if the Minister did it.

Rising block tariffs would also be extremely good for the environment. The World Wildlife Fund predicts that they could reduce demand by at least 10 per cent. and by up to 30 per cent. in summer. That would cut the cost of treatment, which would lower bills. WWF says:

> "We need to move on the issue of water charging and we need to move quickly. There are plenty of ideas on the table, and we need to start making them work for the customer."

Miss McIntosh: The WWF, the briefing of which the hon. Gentleman is reading, has obviously been busy preparing for the debate. It is keen on rolling out full metering. I should think that everybody present wants a more sustainable water policy and supply that is more in kilter with demand. So far, he has said nothing about the benefits for his constituents of rolling out metering. Is he minded to turn to that?

Matthew Taylor: I am keen on rolling out metering; that is the short answer. In the South West Water area, 60 per cent. of people are on meters, twice as many as in the rest of the country. The reason is that people want to mitigate high bills, so the incentives are that much stronger. To be fair, in the early days when it was discretionary, we had a much more flexible approach to the installation of meters in our part of the world than in other places, where people faced high charges if they got it wrong and had no opportunity to change. That opportunity now exists. The remaining number consists in part of those who cannot fit water meters—there are quite big issues of practicality in some mansion blocks and so on that have shared water supplies—and those who believe that they benefit from not having one. The implication of what I said about the rising block tariff is that those who use large amounts of water should pay for it unless they have a disability or similar situation that justifies such use.

On water resources, everyone rightfully expects a continuous supply of clean, safe water to their homes and businesses, and they expect that water, once used, to be cleaned up before being released on to the beaches or the land. Delivering that supply despite the impacts of climate change and ongoing diffuse pollution is a challenge faced by the water industry. There is no doubt that tackling that challenge requires a new way of thinking and a move away from typical high-energy, end-of-pipe and highly chemical and capital-intensive solutions to an approach that uses soft engineering solutions and works with the natural landscape. A radical new approach, if delivered rightly, would give customers better value and lower bills in the long term as well as an infinitely better environment. With the growing impact of climate change, I do not believe that there is an alternative.

That is why I return to the Government's water strategy, "Future Water". It is an excellent review of the correctly identified core issues of tackling climate change and diffuse pollution. The strategy rightly acknowledges that if we are to protect our valuable and vulnerable water resources, we need to take a new approach to managing them, and that the European legislation, the water framework directive, pushes us to take such a holistic view of our water resources. People often suggest that such legislation comes from Europe, but the Government signed up to it, so it came from the Government in the first place. There is a clear Government approach.

The Minister for the Environment (Mr. Phil Woolas): The hon. Gentleman is making an interesting and important speech. I should like to confirm for the record that not only was the water framework directive supported by the UK Government, but many of the measures in it were proposed by us. We welcome it. It is an example of why we need a good, joined-up European Union policy.

Matthew Taylor: I agree. Some years ago, when the Conservatives were in office, I took part in similar debates. Towards the end of those, as South West Water bills rocketed out of control and the Conservatives started losing seats, they moaned about European rules until I pointed out that they had issued a press release when the rules were drawn up claiming that the British Government had led the development of those rules, so there was not much for them to moan about. I am glad that the Minister does not blame others—

Mr. Woolas: On this occasion.

Matthew Taylor: That is the right approach. The policy is supported by Government, but also by non-governmental organisations and, at least in theory, by the industry. The change in approach will mean a move away from expensive, energy-intensive, temporary end-of-pipe treatment measures and towards less intrusive catchment management, in which water companies will develop working relationships with landowners, farmers and other stakeholders to prevent the quality of water from being lowered before it enters the water companies' systems, so that we do not need to tackle issues such as nitrates afterwards.

Adopting catchment management methodology, if it is delivered effectively, enables water companies to lower their expenditure on end-of-pipe treatment without the risk of compromising water quality or safety. Lower capital investment will then benefit the customer by lowering water bills in the long run. Furthermore, ending the need for end-of-pipe treatments will lower companies' carbon footprint and increase their environmental sustainability. It is a long-term solution, whereas capital investment needs constant renewal and expenditure.

Page 51 of "Future Water" says:

"We also encourage water companies to work with farmers to tackle pollution at source, for example where this is more cost effective than treating raw drinking water at the point of abstraction."

I could not agree more. Unfortunately—so far, at least—Ofwat could not agree less. That is a fundamental problem, and it is the reason for the debate. Ofwat said in its PR09 consultation:

"Water companies may see opportunities to address drinking water issues by encouraging changes to land management in the catchments",

which is good. However, it went on to say that

"we would not wish water consumers to offer a cross-subsidy to address third party pollution issues",

and, specifically, that any proposals for expenditure would be considered only if the company owned the land.

Assuming that Ofwat does not want water companies to buy up agricultural land in every catchment and around every river, its fundamental criteria effectively block the very measures that the Government say are necessary, the water framework requires of water companies and many NGOs and water companies themselves accept are necessary. Ofwat is directly contradicting the Government view. That is clearly nonsensical, especially given that such measures are meant to reduce customer bills in the long run. I do not believe that customers in the south-west are saying, "We want a worse environment and higher bills, please," so why is the water regulator, which is charged with protecting customers' interests, standing in the way of such measures? The answer is that it has a very narrow, old-fashioned approach to the issues.

The traditional means of dealing with such problems have been expensive, but the alternatives can be cheaper. The water industry estimates that, since 1990, it has spent £1 billion on pesticide removal alone. Projects under way in the water supply areas of Bristol and Wessex Water show that working with farmers can reduce nitrate and pesticide pollution in ground-water. In northern England, upland moors and bogs are being restored over tens of thousands of acres to purify the water before it enters the system. South West Water is planning a number of such catchment management projects in PR09, with the support of organisations across the south-west, including national parks, the Environment Agency, the Royal Society for the Protection of Birds and a broad swathe of environmental organisations, but not, it seems, of Ofwat.

Other countries are doing it. New York state experimented on the relative value between water treatment and forestry and found that the latter provided better treatment at a much lower cost. So why is the regulator here standing in the way? Natural England, which carried out work on the subject for the Government, concluded from its study on the options raised by them that agriculture requires regulation changes, advice and incentives. If the water companies are not acting, whose responsibility is it to drive things forward? Who is going to provide the incentive to stakeholders, such as landowners and farmers, to change their practices? If the Government or Ofwat have a better idea, they should tell us.

There is no doubt that if we are successfully to adopt a more catchment-based approach to water resource management, we need to determine the payment mechanism and how to fund it in the long term. Water quality trading is one idea. However, those discussions need to take place now, while the Government and others are setting the agenda for the next five or 20 years. We cannot keep ducking the issue; it is time to make changes. The fundamental premise of any future water charging system should be that water companies can demonstrate to Ofwat that they are proposing the most efficient solution to deliver a specific outcome. It should be irrelevant whether that is a soft engineering solution, such as a wetland to improve water retention and remove pollutants, or a traditional capital intensive project. We should start from a level playing field.

The Government, non-governmental organisations, such as Wildlife and Countryside Link, which covers all the major NGOs, and Natural England all appear, to differing degrees, to agree that such upstream thinking and working with the environment is the way to go. The water framework requires a solution, but so far Ofwat seems to be offering nothing but roadblocks, although it told me at the weekend that it is reviewing its position, which I hope is true. I hope that following this debate and ministerial discussions, Ofwat will change its negative position.

The best reason to favour such schemes is that they are the cheapest way to achieve the required performance, which is entirely consistent with water sector regulatory incentives. To be fair to Ofwat, the PR09 consultation opens that possibility: it produced its 25-year strategic direction statement, to replace the five-year plans, which proved so inadequate; it is encouraging water companies to adopt a longer-term perspective; and it is offering water companies the ability to offer alternative strategies alongside their business plans to show how things could be done differently. The vast majority of water companies have published their SDSs—only a couple are still to come—and they all talk about such holistic approaches. However, it is up to the Government and the regulator to ensure that their words are translated into action.

Most companies, frankly, are paying lip service to the issues and not offering practical solutions, although that is not the case with all of them. I am delighted that for once we can boast about water companies, rather than complain: Wessex Water and Anglian Water are planning catchment solutions. However, they still do not know whether Ofwat will simply block them, and certainly most water companies are not yet committed to such new approaches. We must move beyond platitudes, warm words and ministerial reviews, and actually take action. Publication of the Government's strategy is helpful and the Ofwat review is the time to take action. Let us change things now before water customers suffer further unnecessary rises in bills and the environment continues to deteriorate.

10.5 am

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): I congratulate the hon. Member for Truro and St. Austell (Matthew Taylor) on securing this debate—there probably is no subject of greater interest to constituents in the south-west—and particularly on the way he discussed the long-term solutions and opportunities available at this critical point for dealing with an intractable problem. I welcome the line that the Minister has taken since taking up his post and, in particular, the very thorough and good report, "Future Water". I agree with the hon. Gentleman on its quality.

The debate has been given momentum, perhaps not by our problems in the south-west, but by the need to consider metering—perhaps mandatory metering—and specific charging tariffs, to which the hon. Gentleman referred, which can provide fairer bills generally and go a long way to protecting vulnerable customers. The move to metering and smart metering—the latter also needs to be on the agenda—is being given momentum by companies facing drought measures. Compulsory metering is being applied to water companies in the south-east owing to water scarcity, and some water companies will be following a full metering programme.

In water company areas other than the south-west, where water scarcity has been a problem for a very long time, that will create issues of affordability, particularly for householders in low rateable value properties. They pay proportionately less for their water now, but will find that their bills increase under metering, although on nothing like the scale faced in the south-west, where bills are £100 more than the average. The hon. Gentleman mentioned that they can be in the region of £500 or £600, but recently I have seen bills for £700 and £800, which are not uncommon in low-income households. I would therefore welcome any action that can be taken.

I shall discuss the metering and charging review and set out three issues that I would like the Minister to take in, or at least focus on. He has set out five goals—for the sake of time, I shall not repeat them all, because I know that other hon. Members want to speak. The first goal is to assess the effectiveness and fairness of charging methods, which is essential, given current trends in water metering and for the reasons set out by the hon. Gentleman. As set out in the second goal, following trials, we must also consider the effectiveness of different types of social and block tariff, paying particular attention to how they can affect vulnerable households. The remaining goals relate to pace of change, universal metering—we have heard how two thirds of people in the south-west are already on meters—and the cost of metering, including smart metering. Our metering policy must also take into account the social cost of carbon emissions, because climate change is, of course, a big issue, and any policy that takes account of it is a winner. We also need to look closely at the cost of different options. On the introduction of any such policy nationwide, the Minister must recognise that, through South West Water, twice as many customers in our region have meters already; otherwise we will yet again be on the losing side. The review will consider whether legislation is needed for charging or metering.

The current list focuses on tariff types and metering, but it ignores the benefits of improving water efficiency inside the home, which Eaga did so much to explore in the south-west's affordability pilot. The pilot showed that one can reduce the amount of water used in the home by an average of 11 per cent., as the Department for Environment, Food and Rural Affairs report on it sets out. The saving can make a difference to the bills that vulnerable households receive, and to the water company through reduced energy costs and less stress on water resources. Put another way, if the pilot measures were adopted throughout all homes in London, a further 200,000 homes could be built without any more demand on the water and sewerage resources—another win-win situation.

Julia Goldsworthy: The hon. Lady makes a very important point but does she agree that, although the pilot was important in ensuring that people on low incomes access all the benefits to which they are entitled and use their water efficiently, that alone will not resolve the fundamental structural problem?

Linda Gilroy: I certainly agree with the hon. Lady, and in the other two points I will make, I hope to show the way in which my proposals are a package. If that package cannot solve all the problems, it can certainly make a significant difference to the problems that we have faced for many years.

On the second goal of the review, I welcome the intention to

"consider the effectiveness of different types of tariff"

and

"to see how they can help vulnerable households."

However, the review must go further. It must consider the different water companies' effectiveness in ensuring that vulnerable households access the tariffs that are designed to protect them. Without the review of that issue, the best-designed tariffs in the world will prove ineffective at helping the most vulnerable households. To give a sense of the scale of the issue, the Consumer Council for Water recently estimated that, of the 400,000 households thought to be eligible for vulnerable persons regulations—that is a ball park figure—as few as 16,420 are registered to benefit from the tariff. More must be done to increase drastically the proportion of eligible households that benefit from it.

Matthew Taylor: I completely share the hon. Lady's view on that point, which is why, if we go down the route of the rising block tariff, it is important that information be shared with the water companies so that support can be given as automatically as possible, rather than claimed, as Ofwat says it must be. All the evidence shows that when it must be claimed, the most vulnerable rarely get it.

Linda Gilroy: That is correct, and no doubt adopting a rising block tariff—I shall be brief because the hon. Gentleman has already dealt with it in detail—would reduce the number of households that were eligible for the vulnerable persons regulations. The tariff caps at a certain level people who are on a metered charge. The two measures would work hand-in-hand, but because it will be some years before we see the benefits of any new policy—apart from anything else, it would require the

even wider introduction of meters—something should be done now to place upon the companies an obligation to increase drastically the uptake of the vulnerable persons regulations. That should be done by setting targets for uptake. I know that there are hon. Members—some probably in this Chamber—who object to targets, but that would be one very good target to introduce.

As the Minister knows, the all-party group on water is conducting an inquiry at this critical time, for all the reasons that the hon. Member for Truro and St. Austell set out. I understand that the Minister will attend the launch of our report on 2 April, and I hope that everybody here today will also attend. During the course of the inquiry, our noble Friend Lord Whitty, who is one of the team, along with the hon. Member for St. Ives (Andrew George) and the former Minister, my right hon. Friend the Member for Scunthorpe (Mr. Morley), asked whether it would be possible

"to extend the definition of customer service"

as a performance target in the price review to include

"looking after our most vulnerable customers".

That would be one way of ensuring that more was done.

I also make a plea to set the vulnerable persons regulations cap not at the regional average, which still gives people in the south-west a cap that is £100 higher than the average, but at the national average. Although compulsory metering can bring in tariffs, in the meantime we must do something about the vulnerable persons regulations, and in the long term we must also consider the situation of people who will not be helped by compulsory metering but will still have large bills. After all that is done, we must still examine the benefits system. I urge the Minister to consult Ministers in the Department for Work and Pensions on that issue, so that we do not still have a significant group of people whose problems have not been resolved, even when we have secured long-term solutions to this intractable problem. He must ensure that he talks to his colleagues and that they talk to him about the likely residual problem, so that it can be dealt with.

Overall, the water package enables us to see some light at the end of the tunnel. I know that my hon. Friend the Minister is doing a great deal, that he has studied carefully the links with the programme for energy conservation in homes, and that he is a strong believer in the need to tackle both matters at the same time. That would be very helpful, because far too many of our constituents still pay not just 10 per cent. of their income for water, but 20 per cent., 25 per cent. and even occasionally more than that, for their utility bills, including fuel and water.

10.17 am

Julia Goldsworthy (Falmouth and Camborne) (LD): It is a great pleasure to follow the hon. Member for Plymouth, Sutton (Linda Gilroy). She has done a huge amount of work through her membership of the all-party group on water, as her remarks demonstrate, and she clearly has an in-depth understanding of the issue.

I shall not repeat the arguments that we have heard, but I shall make a few brief remarks, because water is an issue that is rising up everyone's agenda. It will certainly rise up my constituents' agenda, because their council tax, energy and water bills will rise above inflation. Water is one factor that is contributing to a squeeze on people's income, and it must be addressed.

Water was the most significant issue that constituents raised with me before I was elected, and it has been since, just as it has been for my hon. Friend the Member for Truro and St. Austell (Matthew Taylor). It is fantastic that it has risen up the Government's agenda, too: they now have their "Future Water" strategy, which they published just a month ago, and Ofwat is conducting a review. I congratulate my hon. Friend on securing the debate, because the worry is that the Government's primary concern is to deal with water-stressed areas. If one reads "Future Water", one sees lots about improving environmental standards and dealing with water-stressed areas; however, in the south-west, the fundamental problem is not availability of water, but the cost owing to the fundamental structural problems that existed at the point of privatisation.

My hon. Friend has done a great job of ensuring that water affordability is on the agenda. Although it is great that it has made it into the Government's "Future Water" strategy, it is tagged on to a few pages at the back, and there is a danger that now that is in the document, it will be overlooked. I hope that that will not be the case. Following the meeting with the Minister before Christmas, it was fantastic to see water affordability included in the Government' strategy, but as I said the key thing is to make sure that it does not slide off the agenda.

There have been some other concessions in the past few years. The water affordability pilot has helped households across the whole South West Water area. Tribute must be paid to the way that South West Water has pushed that pilot forward: it has really driven forward the agenda by ensuring that as many households as possible are opened up to the scheme. It is continuing to roll the scheme out to make it available to as many people as possible, and the company has made every effort to be as helpful as it possibly can to individuals who come to me for help.

Linda Gilroy: I am not sure whether the hon. Lady was as surprised as I was to discover how much people could gain from the work of the water affordability pilot, which, of course, included a benefits check. A third of the 462 people who received that check were eligible for an extra £33.98 a week. I hope that she will encourage her constituents, as I encourage mine, to establish whether they may be entitled to some of that financial help.

Julia Goldsworthy: I thank the hon. Lady for making that point. I certainly try to emphasise to constituents who come to my advice surgeries expressing concern about the difficulty that they have in paying their bills the benefits that the pilot scheme could bring. It makes me wonder whether the scheme has ended up being a lot more expensive than the Government had planned, because not only is it helping to improve the efficiency of people's water use, but it has highlighted how many people are not claiming the benefits to which they are entitled. That goes back to one of the points made earlier about the need to ensure that data are shared: certainly, a large number of households are not benefiting from entitlements that they should be receiving.

[Julia Goldsworthy]

There has been some progress, but I am afraid that this feels a bit like "Groundhog Day" to me, because that this is probably the third or fourth debate that we have had on this issue since I was elected to Parliament in 2005. In many areas, it feels like one is stuck going round in circles, or perhaps stuck in one of those telephone systems where different menu options keep being presented, but every time an option is selected, one ends up going back to another menu option that directs one back to the start. I would like to give a couple of examples of that type of problem.

In addition to debates in Westminster Hall, we have had the opportunity of meeting with both Ofwat and Ministers. Those meetings have always been conducted on a cross-party basis, because there is a real strength of feeling across the south-west on this issue. On several occasions, Ofwat has directed us to the Minister, saying, "We are just operating the regulatory framework, you will have to speak to the Minister." We then speak to a Minister in the Department for Environment, Food and Rural Affairs, who says, "Of course I can look at this, but ultimately it is the Treasury that decides." So then we try to meet a Treasury Minister, but we are directed back to DEFRA and back to where we started. That has been a cause of real frustration, and we are yet to secure a meeting with a representative from the Treasury. If the Minister can give us any kind of reassurance that that meeting might happen, many of us would be very happy.

There is also frustration about the fact that water poverty is not recognised as being of equal importance to other poverty issues. Fuel poverty is the obvious example, and there are many clear parallels to be drawn with that in terms of the impact that water bills have on those with the lowest incomes and the benefits to the environment that could be achieved by improving water efficiency. I have concerns about how Warm Front operates as a national scheme and about its ability to identify isolated, vulnerable households.

Fuel poverty is a problem that has been recognised; there is a winter fuel allowance. In 2004 the Government's "Cross-Government Review of Water Affordability Report" identified the fact that by 2010

> "a single pensioner household living on the minimum Pension Credit and paying an average South West water and sewerage bill may be required to pay 7 per cent. of disposable income".

So we knew four years ago that, for those pensioners, water bills will be at least as big an issue, if not a greater one, than their fuel bills, yet there is no comparable scheme to provide assistance to them. I am not entirely sure why water poverty is not being recognised by the Government in their actions.

The Government are also trying to hit their own target on child poverty. Tackling water affordability in the south-west is one of the key measures needed to allow the Government to hit that target, but responses to the parliamentary questions that I have tabled do not make it clear whether water poverty has any input to the working of the child poverty unit. I found it difficult enough to understand how the unit works, given that the Treasury is responsible for targets on child poverty, yet the answering Department for questions on the unit is the Department for Children, Schools and Families, and the Department for Work and Pensions takes a lead in providing resources for the unit. Again, one feels like one is going round in a circle when trying to work out whom to ask to ensure that water poverty is included for consideration by the child poverty unit. When I asked that question explicitly in November 2007, the answer that I received was:

> "The child poverty public service agreement (PSA) sets out the strategic priorities for Government in tackling child poverty including...reducing poverty through raising incomes, and tackling poor living conditions."—[*Official Report*, 26 November 2007; Vol. 468, c. 56-7W.]

A variety of other measures are given, but water poverty is not explicitly mentioned. Will Minister reassure us today that water poverty is actively being considered by the child poverty unit, and that his Department is making representations to the unit to ensure that water poverty is firmly on its agenda?

I would like to give one other example from very recent experience of talking to people who have been affected by water quality problems and who are feeling real frustration about the way the operation of different Departments has made it very difficult to provide a joined-up approach to or even an understanding of the potential effect of the issue of water quality. On Friday, I spoke to some mussel farmers in my constituency who work on the River Fal. A series of areas that they work in have been downgraded by the Food Standards Agency because of the flesh samples that have been taken from the mussels, which means that the mussels must be moved somewhere else before they can be sold. That creates additional cost for the mussel farmers that threatens their livelihood. The FSA's analysis of the mussels clearly shows that the incidence of a harmful bacterium—E. coli, I think—is rising, which is affecting the water quality. However, the Environment Agency is saying that water quality standards in these areas are improving, so nothing is being done to try to tackle the underlying problem, even though it is manifesting in the quality of mussel flesh. Once again, there is frustration that different Departments and bodies are not working in a joined-up way, and people are finding themselves going round in circles.

The hon. Member for Plymouth, Sutton and my hon. Friend the Member for Truro and St. Austell have gone into some detail about the type of solutions that we need to deal with water problems. The type of environmental solutions that my hon. Friend mentioned—the use of capital-intensive resources to purify water—would help not only water bill payers, but the mussel farmers on the Fal. Such environmental solutions are long-term measures that need to be actively pursued, and it is great to see them included in the Government's strategy.

Linda Gilroy: I thank the hon. Lady for giving me the opportunity to refer to what the hon. Member for Truro and St. Austell (Matthew Taylor) said in his opening speech. He gave a very good account of the challenges and the potential costs of meeting those challenges. Do the Liberal Democrats welcome the fact that Labour was the only party to have anything on water in our 2005 manifesto? We aimed to ensure that the costs of diffuse water pollution and dealing with it were laid at the point of the polluter and not at the customer.

Julia Goldsworthy: I am very disappointed that the hon. Lady has not read the environment part of our manifesto, which raised some of these issues. I have

been charitable to her in praising work on raising this issue, and I think that it is uncharitable of her to imply that the Liberal Democrat MPs in the south-west have been doing nothing, when my hon. Friend the Member for Truro and St. Austell has been campaigning on this issue for the past 20 years and has been our environment spokesperson at various times.

Linda Gilroy: I certainly appreciate what the hon. Member for Truro and St. Austell has been doing. Both of us have been campaigning on this issue since the water industry was privatised. I did not mean to be at all curmudgeonly about the contribution that the Liberal Democrats make. I would also point out that there is no Conservative Back Bencher here, and Conservative Back Benchers do not attend the cross-party meetings with the Minister, although they are invited to them.

Julia Goldsworthy: The hon. Lady is correct. It is interesting to note that although the Conservatives are well represented in the south-west, both in the area covered by South West Water and in the Government region, not a single one of those Members is here to comment on this issue. That is disappointing.

My hon. Friend the Member for Truro and St. Austell spoke about long-term solutions. Obviously, the only permanent solution will be some kind of equalisation measure that spreads the burden more fairly. As the hon. Lady and my hon. Friend have said, the take-up of the vulnerable groups tariff is higher in the south-west than in any other part of the country; however, there are still plenty of people who could benefit from it but are not taking it up. As the average cost used to calculate the tariff is an average of South West Water bills, which are the highest, people on the tariff still face high bills. We need a permanent solution to the problem, and we must recognise that more could be done to support vulnerable groups.

The use of a rising block tariff would spread the burden more fairly, but, ultimately, it would not get around the structural problem that has left South West Water bill payers in their current situation. We need to be explicit about the fact that a rising block tariff should recognise different groups, so there would not be a continuation of the current situation in which second home owners benefit from the infrastructure that is provided to their doors, but pay the lowest bills because they are not there to use resources. Any tariff system would have to take that into account.

Dan Rogerson (North Cornwall) (LD): The mention of second homes has tempted me to intervene on my hon. Friend. Second home owners would no doubt comment, and I am sure that my hon. Friend would agree, that as they are not there all the time, they do not place the same demand on the water system as those who are. However, the problem is at times of peak demand. Despite all the investment by South West Water, the sewage processing system in some parts of the south-west is increasingly under strain at peak times. Even though people do not live in those second homes all the time, the infrastructure has to be able to cope at peak times, and a rising block tariff system would mean that second home owners made a fair contribution.

Julia Goldsworthy: My hon. Friend makes an important point. I have run out of time, so I will conclude. There have been encouraging signs from the Government, but we would like them to take real action, sooner rather than later, to help us to break out of what has been a frustrating cycle. I hope that the Minister will convince us that the cycle has been broken.

10.32 am

Martin Horwood (Cheltenham) (LD): I congratulate my hon. Friend the Member for Truro and St. Austell (Matthew Taylor) on securing the debate, which, as he said, is not the first on this issue. His determination and persistence in dealing with this matter, over many years, on behalf of his constituents do him enormous credit.

Some of the issues that are relevant to the debate are specific to the south-west peninsular. Hon. Members from Cornwall enjoy a national asset in their stunning landscapes and coastlines, and as a user of the county's beaches, I, personally, do not begrudge the people of Cornwall a mechanism by which to redistribute more fairly the cost of keeping those beaches clean. I certainly would not object to second home owners paying a fairer share.

Linda Gilroy: Is that a manifesto commitment?

Martin Horwood: I did use the word "personally".

As my hon. Friend said, 2008 is a crunch year in relation to setting policies for the decades ahead. The Government's water strategy is at a critical point. There is shared awareness that our current approach to water is unsustainable and that climate change will make the need for action only more urgent. Several environmental organisations have come together under the umbrella of the "Blueprint for Water" and identified a series of policy opportunities that will be present in 2008 that could put us on a more realistic and sustainable path.

First, the Government's water strategy provides a welcome opportunity to review social and environmental guidance to Ofwat. The issue of surface water drainage will coincide with the final report of the Pitt review and the Government's response to it. As 600 households in my constituency were flooded last summer, I am particularly interested in those documents. The control of the amount of phosphates in domestic laundry products, which sounds like a narrow issue, is a welcome reminder that climate change is not the only environmental issue that we face.

Other policies this year will have an impact on water usage, including the finalisation of regional spatial strategies. In Gloucestershire, the RSS response to the widespread flooding there was to increase its housing allocation to 56,000, thereby increasing urbanisation and, quite possibly, the risk of flooding. That is a strange and unjoined-up piece of Government thinking.

The EU water framework directive requires all member states to restore the ecology of their rivers, lakes and wetlands by 2015, for which member states' draft plans, including that of the UK Government, are needed this year. The mid-term review of the common agricultural policy will provide a Europe-wide opportunity to address pollution and ecology in relation to agriculture, which impacts on water. Above all, the periodic review of

[Martin Horwood]

water prices—PR09—provides a blueprint for water, that identifies an opportunity to

"protect nationally and internationally important wetland sites by amending or revoking damaging abstraction licences and taking action on water quality; take forward large-scale water efficiency programmes; and tackle water quality problems at source through catchment management initiatives that offer many benefits for biodiversity and the environment."

Those comments chime with what my hon. Friend said in his speech, and I commend them all to the Minister.

Currently, there is not a good example of joined-up thinking. Perhaps the combination of PR09 and the water strategy offers something deeper: the opportunity for a complete rethink on the role of Ofwat and its relationship with the water companies, consumers and the environment, which is needed. My hon. Friend spoke about the need for a more imaginative approach to land use from Ofwat, to deliver clean water at lower cost and with a lower environmental impact. I commend that idea to the Minister. Let me give an example from Gloucestershire.

During last summer's floods, Severn Trent reassured the Gloucestershire people that the guaranteed standards scheme would compensate them for the loss of their water supply following the loss of the Mythe water treatment works. However, it later reneged on that assurance, denying compensation that would have cost it about £10 million, simultaneously assuring City investors that their £300 million profits would not be unduly affected by the floods. Astonishingly, Ofwat has so far backed Severn Trent—I say so far because my conversations with Ofwat on this issue continue—on the grounds that the floods were beyond its control. That is true, but all floods are beyond the control of water companies, and they are explicitly included in the guaranteed standards scheme. The submissions to Pitt from the police and others show that Severn Trent's response to the flooding of the Mythe contrasted quite sharply with National Grid's ability to notify emergency services in time to protect the Walham substation and prevent flooding there.

Perhaps the fundamental problem is that Ofwat's remit is from a bygone era of privatisation, when the economic viability of water companies was the top priority, rather than consumers' interests and the protection of the environment. The Government's water strategy statement, "Future Water", looks complacent on that front, because it baldly states that the

"current regulatory framework for water works well and has delivered real social and environmental benefits."

However, I have some more examples. Ofwat still pursues the concept of an economic level of leakage, as though the millions of gallons of water that are leaked by the likes of Thames Water would be acceptable if that could be proved to be economic. The energy used to clean and pump water is wasted entirely if a huge percentage is leaked. That is no longer acceptable in the era in which we are supposed to be tackling climate change.

Energy is also wasted if a huge proportion of the water that reaches people's houses and offices is flushed down the toilet. I acknowledge that the Government are beginning to take action on that issue, but that is happening painfully slowly. Why are not rainwater harvesting and grey-water recycling, which are relatively cheap to install in new builds but expensive to fit retrospectively, compulsory in all new buildings?

My hon. Friend pointed out that metering would help. He also explained how it could be combined with increasing block tariffs to safeguard the less well-off in society. The Government accept that fitting meters will, on average, reduce household water consumption by about 10 per cent. Priority areas for water metering should be those where water is scarce and where bills are high, such as in the south-west, but if we factor into the equation energy use, as well as water use, the argument for universal metering becomes unanswerable. But on this issue, again, despite years of discussion there is to be yet another review.

The combination of metering and the laissez-faire regulatory approach will have social impacts. I do not have time to explore the relevant options except to commend many of the recommendations based on combining tariffs or benefits and learning from the affordability pilot in the south-west. Obviously, the answer to many of the questions will probably be yet more consultation, but the Government must be aware, after years of debate on such issues, that consultation is not a substitute for action but a recipe for continued social and environmental harm, while we all wait for them finally to act.

10.40 am

Miss Anne McIntosh (Vale of York) (Con): I congratulate the hon. Member for Truro and St. Austell (Matthew Taylor) on securing this debate. I also congratulate him on the expertise that he has built up over the years. Any Yorkshireman would be shocked that Cornwall could even begin to compete with the wealth of resources that we have on our beaches in North Yorkshire, let alone the whole of Yorkshire. I await what the Minister will say but hope that this does not turn into a war of the roses.

Moving rapidly on, one thing that this debate has established is that the demand for household water has risen by 55 per cent. since 1980, and that the trend is set to increase. Water metering should be seen as part of an integrated approach to providing information and helping to adapt consumer behaviour. I do not see any reason why a rising block system could not be introduced without universal smart meters, and I hope that the introduction of smart meters does not require us to be too smart in using them. The concept of meters that are able to talk to each other so that households, whatever their income, will be able to see, particularly in the coldest months of the year, their consumption of all utilities is exciting.

On affordability, I draw attention to the fact that there is currently a vulnerable groups tariff: metered households in receipt of certain state benefits who have three or more dependent children and people with certain medical conditions should pay no more than the average charge for their region. We should all draw attention to that. A vulnerable groups workshop in September 2006 produced recommendations that I find very persuasive: tariff and associated information should be given more positive branding, application forms and guidance should be simplified and standardised, and all relevant parties, including the

Department for Work and Pensions, should collaborate in targeted publicity. The recommendations also stated that there is a strong argument for extending qualification to include pensioners. I should like to ask the Minister, having heard this debate, what discussions he has had with his opposite number in the DWP in the context of the 2009 review and the consultations on and reviews of the water strategy. It strikes me, particularly when talking about those on benefits and the plight of pensioners, that the recommendations bear some regard.

The hon. Member for Truro and St. Austell focused heavily on beaches, for reasons which are perfectly understandable. Perhaps I ought to declare an interest: I was an MEP for 10 years and probably dealt with the European Union bathing directive, drinking water directive and several other directives. In my time as the representative for the whole of the Essex coast, I handed out a blue flag to one of the beaches on behalf of the district council.

I make a plea to the Minister and to all hon. Members who have taken part in the debate to consider the implications of the price review for sewerage and water supply generally. I have some sympathy with South West Water customers, but I am a Yorkshire Water customer. I have had a series of meetings with the company, and I pay tribute to the work that it did in the clean-up exercise, given the number of houses in one city alone—Hull—that were flooded last year. Our price change involves an increase of 7.5 per cent., which may dwarf even the South West Water price increase.

Will the Minister say something about his adaptation agenda in the context of the price review and the water strategy generally? The Association of British Insurers has come up with its own adaptation agenda. It specifically asks for more investment in flood and coastal defences and in urban drainage and strengthened land-use planning.

The hon. Member for Truro and St. Austell and his colleagues spoke about land use. There is some idea that we could move forward with that, in the context of the Ofwat review. Does the Minister accept that water companies could play a role in slowing water down by co-operating with the landowners and farmers who work the land and allowing some water to be retained on that land? Is it possible or feasible for water companies to do that, or is it even appropriate for them to do so?

The concept of storing water on land upstream to prevent flooding downstream is worth exploring. It is not something that we want Yorkshire Water to do, but it is something that we are looking at in my constituency. As the Minister well knows, Thirsk was flooded twice within five years. One business there is now unable to get any insurance cover at all. There is a flood alleviation scheme—I know that this is not about the price review—but we felt a bit aggrieved when, having worked for five or six years to get Cod Beck enmained, we found that the Government changed the point system, so that it did not matter that it was enmained. A different point system applied, so that Cod Beck was still not due to get money. It is worth exploring whether Yorkshire Water and other water companies, as the hon. Member for Truro and St. Austell suggested, could work with landowners for the greater good of the local community.

As recently as 14 March, the Minister responded to one of our great concerns, which was reflected in the Pitt review recommendation. At present, water companies are obliged to offer all new developments—I believe that this probably relates to substantial new developments—the right to connect to the public sewerage system under section 104 of the Water Industry Act 1991. As the Minister is aware, one of the interim recommendations of the Pitt review is that there should be an end to the automatic right to connection. The Minister will appreciate that we support that recommendation wholeheartedly. In his answer of 14 March, he stated:

"It has not yet been determined how the money...will be allocated."—[*Official Report*, 14 March 2008; Vol. 473, c. 709W.]

I believe that the Government have allocated £34.5 million in respect of the Pitt review.

Based on discussions that I have had with water companies, it strikes me that ending the automatic right to connection would be done for no other reason than to ask water companies to perform a similar role to that of the Environment Agency in determining whether there is indeed the capacity for any substantial new development of houses to feed waste water into drains. Missing from the debate was the concept of water companies dealing with surface water run-off, which caused flooding in substantial parts of the country last year, and the end to the automatic right to connection having cost implications for water companies. Has the Minister given some thought to who will pay, and how the water companies will raise the money to enable them to perform that duty?

Finally, just what should be the role of Ofwat, as the economic regulator? Obviously, it is there to protect the interests of consumers, to promote effective competition and to set the framework for new water supply licensing regimes. We note with some concern the increases in water bills, not just for those who are clearly not in a position to pay but for middle earners—those hard-pressed families who have probably been hit by other substantial, above-inflation increases in their energy bills.

Linda Gilroy: Will the hon. Lady give way?

Miss McIntosh: I want to allow time to hear from the Minister. I hope that the hon. Lady will permit me to wind up.

I note that the increases in water bills in Yorkshire and other places are substantial. I hope that the Minister will talk about sustainability, adaptation and moving towards smart metering, with block meters in the interim. In moving towards the price review, I hope that he will consider the impact of flooding on the whole sewerage and drainage system in parts of the country that were badly damaged, not least Yorkshire.

10.50 am

The Minister for the Environment (Mr. Phil Woolas): It is a pleasure to serve under your chairmanship today, Mrs. Humble. I concur that the best beaches are in the north-west of England, particularly in your constituency.

I offer the traditional congratulations to the hon. Member for Truro and St. Austell (Matthew Taylor) on securing this debate and raising this issue. It is somewhat intimidating when the hon. Member who

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leads an Adjournment debate clearly knows much more about the subject than the Minister who responds. I pay tribute to the hon. Gentleman. I am sure that the former hon. Member, Sir Percy Harris, would have been extremely proud of him. I send him my best wishes.

Let me answer the questions as best I can in the brief time available to me. It is best if I start by responding to the hon. Member for Cheltenham (Martin Horwood). Our review of the charges is not about whether there should be change, but about how it should be brought about. Therefore, the hon. Member for Falmouth and Camborne (Julia Goldsworthy) can be reassured that this is part of a process to change policy and not a review about whether we should be changing policy. The decision and the direction of travel are clear; I put that on the record.

I shall try to get through the policy points and answer the questions. Clearly, policy has to change because of the points that hon. Members have made about water supply in parts of the country, water affordability and the equity of water bills—given the modern circumstances that we are in—and because of the important point, made by a number of hon. Members, about the relationship between water use and energy efficiency in the home and in buildings. The lowest hanging fruit is energy efficiency, and the lowest hanging fruit in that regard is better use of hot water. We need to tie the relevant policies together, and my strategy does exactly that, as the hon. Member for Truro and St. Austell suggested.

Climate change is the issue that will force us to change. If we do not get our policies in place, we will suffer the consequences. So that is important as well.

Hon. Members mentioned that 2008 is a critical year for water policy. That is so. The "Future Water" strategy, which a number of hon. Members mentioned, sets out our high-level vision for the water sector in England. The main goals of the policy are to improve the quality of our rivers and lakes and the wildlife that they support; to manage sustainably the risks from all types of flooding and coastal erosion; to ensure a sustainable use of water resources and fair, affordable and cost-reflective water charges; to cut the greenhouse gas emissions associated with water supply and use; and to make adaptation to climate change and other pressures part of the business-as-usual activity in water policy and management. That strategy is not a blueprint, but it sets out the priorities for water management and some of the steps that we need to take.

On the Ofwat price review, I want to say a few words about the latest periodic review of water company price limits, or PR09. The review process is explained in detail on Ofwat's website, as hon. Members know. Last year, I published a statement of obligations for companies and regulators to bring together and describe the environmental drinking water legislation that will apply to the water industry over the PR09 period. Looking to the longer term, alongside "Future Water", we published draft statutory social and environmental guidance to Ofwat. That answers the point made by the hon. Member for Truro and St. Austell about what happens upstream. I concur on that point and will answer in more detail if I have time.

Matthew Taylor: I take the Minister's point. It is clear that the Government's position, as suggested in "Future Water", is that Ofwat ought to be taking a positive approach to the water companies engaging with landowners, farmers and others to deliver benefits. Ofwat should not take the narrow view that, because land does not belong to water companies, improving the way in which it is managed is no business of theirs.

Mr. Woolas: I shall reassure the hon. Gentleman by answering in the affirmative: yes, that is our view. To quote from the draft that I referred to:

> "The Government expects companies to play their part in the river basin planning process contributing to the work of the river basin district liaison panels, and working in partnership with a range of public and private organisations. As part of this, the Government expects Ofwat to support companies who wish to adopt innovative approaches to improving water quality, including working with land managers to control diffuse water pollution at source, where this is to the benefit of water customers."

I hope that the hon. Gentleman takes that back to his constituency this weekend and takes some credit for it, because he deserves it.

I can also give some good news to the mussel farmers as well. *[Interruption.]* I think that I have lost the attention of the hon. Member for Vale of York (Miss McIntosh).

Let me say briefly that the combination of "Future Water" and the social and environmental guidance to Ofwat sets out a strategy dealing with how, through the review, we can move from the current situation to a fairer and more equitable one that takes into account South West Water's customers, who are paying high bills.

Linda Gilroy: Does my hon. Friend the Minister accept that it will be some time before that has an impact on consumers? Will he consider seriously the matter that I raised about the vulnerable persons regulations and consider making that a target in the next periodic review?

Mr. Woolas: Yes, I will do so.

In the brief time that I have left, I should like to make a further point, which hon. Members will be interested in, about bad debt and the non-payment of water bills. The figures on the non-payment of water bills are outlined on page 78 of "Future Water", in paragraph 13. The latest figures show that £575 million of water bills went unpaid out of a total water bill in England of around £7.5 billion. An analysis of those figures shows that a number of people cannot pay because of changes in circumstances; it also shows that a number of them will not pay. The water companies have made that point to me, and I have undertaken to consider it. Of course, there is no liability on the landlord for the water bill and the water company has no right to have access even to the name of the tenant. It is therefore difficult for them to pursue matters. It is unfair that people who pay their bills are subsidising others—not those who cannot pay, but those who will not pay—to the tune of some £11 per head.

Linda Gilroy: I was just going to ask the Minister whether he realised that the figure was £11 per head. That was brought forcefully to our attention in the all-party water group inquiry.

Mr. Woolas: Indeed. If those bills were passed on through rent, some of the points made about the benefits system would come into play.

Given the time available to me, I am not able to answer all the specific questions that were asked. If hon. Members wish to receive answers to outstanding questions, I should be happy to provide them. I look forward to a continuing debate, in which I am trying to build consensus across all parties in the House for a fairer, more equitable and more efficient system of water charging.

Fire and Rescue Services (Humberside)

11 am

Shona McIsaac (Cleethorpes) (Lab): It is a delight to speak in Westminster Hall under your chairmanship, Mrs. Humble. I would appreciate it if you could convey my thanks to Mr. Speaker for selecting this subject for debate.

On Saturday, firefighters, members of the public, MPs and councillors marched through the centre of Grimsby carrying banners stating, "No Fire Cuts" and "Cuts Cost Lives". People were clapping and cheering as they marched past, and a flower shop had a sign in its window stating "Florists Support The Firemen". It was a good-natured march, but the message was deadly serious. At the front, four firefighters were carrying a coffin because they believe that the proposed changes to Humberside fire and rescue service could endanger lives. We must remember that those are the very people who head towards burning buildings when the rest of us would instinctively want to get away. They constantly put their lives on the line, and I take it seriously when they tell me that the changes will put lives at risk.

To put the matter into context, it was 11 days before Christmas when East Riding of Yorkshire councillor Doreen Engall, who chairs the Humberside fire authority, made the following announcement:

> "Today—Friday 14th December 2007—the Humberside Fire Authority has discussed Operational Resource Disposition across the Humberside Fire and Rescue area and...agreed to start the public consultation process on the following proposed changes:—
>
> Sledmere Retained Fire Station Closed and taken out of service 2008/09
>
> Waltham Retained Fire Station—Closed & taken out of service 2008/09
>
> Kirton Lindsey Retained Fire Station—Closed & taken out of service 2008/09
>
> Immingham West Fire Station Reduction by one fire engine 2009/10
>
> Goole Fire Station Convert crewing of one fire engine from wholetime crewing to retained 2009/10
>
> Hull Central Fire Station Closed and taken out of service
>
> fire engines to be relocated...2010/11
>
> Hull North Fire Station Increase by one fire engine 2010/11
>
> Hull West Increase by one fire engine 2010/11".

If those changes go ahead, they will be some of the most severe cuts ever experienced by the Humberside fire and rescue service.

I want to give the Minister and others who do not know that part of the country a picture of the area that it serves. People often imagine that the east riding and Lincolnshire they are bucolically rural, and in parts are. However, they have a population of more than 900,000 and are dominated by a huge concentration of industry. The north and south banks of the Humber are home to most of England's oil refining, chemical and pharmaceuticals industries, and British Aerospace at Brough. The Humber ports of Immingham, Grimsby, Goole and Hull are some of the busiest in the country. It is estimated that 25 per cent. of the UK's freight goes in and out of Immingham. Associated with that, apart from road transport, is a huge rail freight depot. We also have Humberside airport and the Corus

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steelworks at Scunthorpe. Some 32 industrial sites are subject to the top level of control under the control of major accident hazards regulations, and that is the highest concentration of such sites in the country.

The area is very varied. As well as those industrial sites, Cleethorpes and Bridlington are busy resorts, with a huge influx of visitors in the summer. In Cleethorpes, apart from day visitors, there is a 4,000-strong caravan park. Other risk factors that we must consider include, sadly, the bad road traffic accident rate in parts of Lincolnshire.

News of the changes broke in the local media on 15 December when the *Grimsby Telegraph* stated:

"The plan, by Humberside Fire Authority, is part of an effort to save an estimated £4 million overspend and follows a round of cutbacks two years ago, which saw Immingham's service reduced from four fire appliances to three."

It is important to focus on the

"effort to save an...overspend".

In reality, that means that we will lose between 100 and 110 firefighters on top of similar cuts a couple of years ago. Most of those jobs—12 retained firefighters at Waltham and 53 whole-time firefighters at Immingham—are in my constituency, so Cleethorpes will bear the brunt of the cuts. The nine appliances covering north-east Lincolnshire will be reduced to seven if the cuts go ahead. Those will be the most savage cutbacks ever experienced by Humberside fire and rescue service.

David Davis (Haltemprice and Howden) (Con): I agree with everything that the hon. Lady has said so far, but I do not want the debate to run away with one point—risk assessment. I have an interest because in the Howdenshire part of my constituency and in Goole, which is in the constituency of the hon. Member for Brigg and Goole (Mr. Cawsey), the fire service emergency cover model, FSEC, which assesses risk in various areas—as the hon. Lady said, there are high risks in some parts of the counties—dramatically underestimates the individual risks applying to elderly constituents, who may use oil or container-based gas heating, and who have as much right to a fire service as anyone living in the middle of a town. I am worried that one of the calculations to justify the cuts underestimates the risk in rural areas. Does she agree?

Shona McIsaac: I shall come to the FSEC computer programme. I agree that it has serious flaws and that it does not give a robust enough analysis. Fire and rescue services in some parts of the country do not use it because they know from local knowledge that it underestimates some risks and puts some areas at high risk when they are not. Waltham retained fire station covers the more rural and suburban southern part of north-east Lincolnshire. Many of the right hon. Gentleman's concerns—for example, about Howden—are also experienced in places such as Waltham.

I raised the matter in the House in the Christmas recess Adjournment debate on 18 December. Following that, I met firefighters to discuss their concerns and objections to the changes. What struck me as odd was that I had not received an official communication from the fire authority. In fact, I am not aware of any of the area's MPs receiving anything official from the fire authority about the proposals. On investigation, I found that other key stakeholders—for example, the port health authority—were not included in the discussions at an early stage.

However, to be fair, after Christmas I received a letter dated 21 December from the chief fire officer, Frank Duffield, who said:

"I write to inform you that in concluding a three and a half year study across Humberside, proposals were put before the Fire Authority as outlined on the attached press statement."

What I was given was the statement that was made on 14 December. Those dates are important, because there are time limits within which to raise objections. When key stakeholders were made aware of the plans is pertinent to the argument.

Following the announcement, I kept checking the Humberside fire and rescue service's website. The proposals were not posted on it until about the second week of January—almost a month after the initial announcement. The printed document came out about the second or third week of January, which is fine if someone can see what the proposals are because they have access to the internet, but many residents do not. Those people have been denied a chance to have the full time to air their views on the changes.

I know that MPs met the chief fire officer, members of the Fire Brigades Union and others in the new year. However, at the same time news also broke that Humberside fire and rescue service will receive a 5.8 per cent. increase in its funding, which was much more than it expected and much more than neighbouring fire and rescue services. I refer hon. Members back to the comments made in the breaking news stories of 15 December, which state that the cutbacks were part of an effort to save an overspend. At that stage, given the additional funding available, many of us hoped that there would be a rethink. Sadly, that did not happen.

I have concerns about the data—the FSEC issue. A lot of jargon and acronyms will be used in the debate, and FSEC is the computer programme used to predict risk. Before we received the official documents, I examined the background to how fire authorities make their decisions. I discovered that FSEC is not universally applied across the country. On the fire service emergency cover toolkit, a document from a neighbouring authority—West Yorkshire fire and rescue service—states that the

"outputs from the model do not accurately reflect the known risk to the community of West Yorkshire, therefore the Toolkit is deemed to be insufficiently robust to be utilised in the development of valid and reliable risk reduction and resource reallocation strategies."

Despite a neighbouring authority saying that any decisions based on that programme will not be robust, an enormous emphasis has been placed on the programme in Humberside.

I have compared the statistics on the previous round of cuts in 2005 with what has been presented to us, and the maps that were produced for both rounds of cuts vary enormously. Areas that were previously high risk before FSEC was relied on so heavily, are now deemed low risk. To someone with knowledge of those areas, that seems to be totally counter-intuitive, and therefore I am worried about the robustness of the data.

In addition, FSEC is used only—or mainly—for predicting dwelling fatality rates. There seems little in the programme that considers, for example, road traffic collisions. We all know that we are far more likely to be involved in or lose our life in a road traffic accident than in a dwelling fire. Again, that leads me to worry about the proposed cuts.

David Davis: I could not find an age profile in the FSEC model. When dealing with the ageing population of rural areas—I think that many hon. Members here represent rural areas—it seems sensible to provide such information because age profile indicates a higher risk of being unable to escape once a fire starts.

Shona McIsaac: I thank the right hon. Gentleman for his intervention. I cannot consider that matter in too much detail because the debate is not entirely about FSEC. However, the analysis of West Yorkshire fire and rescue service states that

"the narrow indicators of risk…skew the output of the model as no account has been taken of the population groups within these areas."

An example is given in relation to rented accommodation as that is one of the criteria used. In two areas with the same percentage of rented accommodation, one area may have detached houses and another may have terraced housing, which has a higher risk. However, FSEC would put those areas in the same category.

As I said, the chief fire officer consulted the various councils in the area and people everywhere told him that they were opposed to the cuts. Prior to last Saturday's march, I conducted a survey of residents in the affected areas in my constituency. About 1,000 people said that they opposed the cuts, and such responses were not based simply on emotion—the chief fire office sometimes accuses us of being emotional about the matter. People were given very good statistical reasons for the cuts and facts about why they would put communities at risk. In fact, only 45 people in some way supported the plans.

I find it worrying that I recently heard that a PR firm has been hired to run consultation forums on the proposals and that people are being paid £25 to attend those meetings. The process is meant to be terribly independent and involve people selected at random, but when it was discovered that someone was the wife of a firefighter, she was rejected and not included in the discussion forums. Those involved are trying to stack the so-called independent forums in their favour and skew the results.

As far as I am aware, apart from the meetings with local authorities and the forums, there have been no official public meetings to date. On behalf of my constituents, I want the plans to be rejected, and I am sure that other hon. Members feel the same. The entire process is flawed. There are concerns about the FSEC computer modelling programme and there have been serious delays in making details publicly available. A whole month passed before the supporting documentation was put into the public domain, and therefore the proposals should be thrown out. Key stakeholders were not involved in the discussions and the consultation document does not stand up to detailed scrutiny. For example, although we have heard that many proposals were made for cost reasons, there are no costings in the document. How can we compare and contrast the proposals, therefore, and ask whether a certain project can be brought in under budget so that we can invest more money in another area? My background is in local government and we certainly did not produce documents that did not have costings.

Statistics in the document are given only for one year. There are no historic data or predictions. It is difficult to make a decision when there are no predictions of trends. I have obtained historic data for Waltham and Immingham. They show that the number of incidents has gone up rather than declined. Despite that, we are considering closing fire stations, which puts the FSEC model in question. For example, the incident data that I have for Waltham station state that the number of incidents in 2005 was 91. In 2006—the data used in the document—there were 116 incidents, and in 2007 there were 134. The number of incidents over the same three years at the Immingham West fire station were 147 in 2005, 158 in 2006, and 200 in 2007. Therefore, the risk is increasing.

There is also a lack of information in the document about road traffic accidents. As I said, people are more likely to die in a road traffic accident than in a house fire. When I asked the chief fire officer about that, he said that Waltham station had covered only four road traffic incidents. The answer was slightly disingenuous because that figure relates only to cases in which specialist cutting equipment was used to free people. That figure, therefore, underplays the level of road traffic accidents. My information about road traffic accidents covers north-east Lincolnshire, north Lincoln and Hull. For those three areas, traffic accident rates are well above the regional and national average, according to data from the Humberside police collision unit. I am afraid that I do not have detailed information about the East Riding of Yorkshire.

The number of collisions in north-east Lincolnshire resulting in death or serious injury in 2002 was 114, of which 21 involved young drivers, which equates to about 18 per cent. of the total. In 2006, there were 123 fatalities and serious injuries, of which 31 were young people, which is 25 per cent. of the total. Again, the trends show an increased risk. It is well recognised that our area has made poor progress towards achieving the 2010 target of a 40 per cent. reduction in road deaths and serious injuries. Any improvement was due to the reduction in child pedestrian casualties.

The collision data also suggest that young drivers living in the more rural areas are at particularly high risk. They tend to come from the more leafy suburbs in which incomes tend to be higher. It is quite normal for a household to have two or three cars, especially in the newly built estates. Young people tend to have cars and use them to get around. Certainly, Waltham fits that bill. Also, because of the rural nature of such areas, it takes fire and rescue services longer to get there, and those minutes are vital if we are to save lives.

I want to focus on how the proposals will impact on my constituents. I know that other hon. Members will focus on their own particular areas. The outcry over the closure at Waltham has been deafening. To date, there have been 18,000 signatures on a petition objecting to it. Some 12,000 letters of objection have been sent in as well. Yet the station costs just £123,000 to run. That is why it was important for the consultation document to include financial information. That £123,000 is partly paid by Lincolnshire county council because the

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station is on the border between the two authorities; Waltham's costs often go into that county. Therefore, the cost to Humberside fire and rescue is just over £100,000 a year. The town of Waltham pays far more than that in its precept to the fire authority.

I want to focus on an issue that appeared in the *Hull Daily Mail* on 4 January. The article states:

"Fire officials have announced a £5 million plan to redevelop the Hull Fire Station. Humberside Fire Authority has given backing for the major redevelopment of North Hull Fire Station at Clough Road. Officials at HFRS say that the revamp of this site is necessary because it now serves part of the city which has seen large amounts of development since it first opened in 1959."

Waltham was more or less a hamlet in 1959; now it is a suburb of Grimsby. It has seen very fast growth in recent decades and it has had a housing boom, yet those residents are being told that the growth in their area means that their fire station has to close. In Hull, on the other hand, residents are told that they are getting a £5 million investment because of housing growth there. I am not complaining about that, but I want consistency across the board. If there is growth in an area, that should be recognised.

The chief fire officer has told me that the Grimsby-based fire station of Peaks Lane will be able to take on the workload if Waltham closes. That is not what the firefighters at Peaks Lane tell me. Such a statement also assumes that the two engines at Peaks Lane will be there if an incident occurs in the area that Waltham covers. It is highly likely that they will be out somewhere else, which means that the time to reach that vast southern part of north-east Lincolnshire will increase, and that will put lives at risk. Also, Peaks Lane deals with chemical incidents that occur in the factories on the south bank of the Humber. Again, that leaves a huge gap in coverage in our area.

A previous review of fire services moved Immingham's fire cover from the centre of the town to the outskirts. That was done because of the huge amount of industry that is located in Immingham. Immingham West and East fire stations were opened by me and my hon. Friend the Member for Brigg and Goole (Mr. Cawsey). Four engines are based there because of the huge concentration of COMAH—control of major accident hazards—sites. Anyone who knows that part of the world just needs to look at the flare stacks of the two oil refineries to understand the risk that exists on the south bank of the Humber. We have to exercise a precautionary principle. The reason why we have a lot of fire stations is because if something happens it will be serious and we need to have firefighters in place. The risks are real.

I am sure that my right hon. Friend the Member for Scunthorpe (Mr. Morley) will confirm that there are people who remember the Flixborough explosion, which was not that far away from Immingham. A few years ago, there was a serious explosion at one of the refineries. Luckily, it was Easter and there were not many people on site and no loss of life. If people had been working, the incident could have been very serious. That is why I want to see the plans rejected. I want every member of the fire authority to receive copies of the debate to see the strength of feeling among the communities that we represent. If it is a genuine consultation, I hope that it will listen—I hope that it is not a foregone conclusion. However, I am worried about the verb tense in the original press release, which said:

"Closed and taken out of service".

rather than "a proposal to close and take out of service". I say to the fire authority and to its chief, "Prove to us that the consultation has been genuine. Go away, look at the proposals and throw them out, because if you don't, lives will be lost."

Several hon. Members *rose—*

Mrs. Joan Humble (in the Chair): Order. Before I call the hon. Member for Brigg and Goole (Mr. Cawsey) to speak, may I say that other hon. Members wish to contribute? I alert them to the fact that I anticipate calling the first Front-Bench spokesperson at about 12 o'clock. Will hon. Members limit their contributions to ensure that everyone who wishes to speak can do so?

11.28 am

Mr. Ian Cawsey (Brigg and Goole) (Lab): This is the first time that I have spoken under your chairmanship, Mrs. Humble, and I am delighted to have the opportunity to do so this morning. I congratulate my hon. Friend the Member for Cleethorpes (Shona McIsaac) on her contribution and on securing the debate, which is important to all Members of Parliament in the Humberside area and all the area's residents as well.

I share the general concerns that my hon. Friend has already outlined about the whole review and the way in which the chief fire officer and the authority seek to change our fire cover in the area. I want to concentrate most of my remarks on Goole, because proposals for that area are causing enormous concern in the locality. Concern, however, is not restricted to Goole. As the right hon. Member for Haltemprice and Howden (David Davis) said, the measures have a knock-on effect on all rural areas around the town as well. I, and many other people, do not believe that the proposals are sound or sensible for that part of the East Riding.

For me, this all started back on 14 December. I was driving home from the Goole and District Mariners Association's annual Christmas party, so I was full of festive cheer—*[Interruption.]* The right hon. Gentleman has had the honour of attending, so he knows what a good night it is. I heard about the proposal on Radio Humberside in my car. I could not believe what I was being told, or the fact that, if it were true, we had had no notification of it and nothing had been said to local authorities. The whole thing came as a bolt from the blue just before everything closed down for the Christmas period. That created a number of concerns, because we were unable to get to the bottom of what was being said and done.

On 3 January, I was able to organise a meeting with the chief fire officer and his team, and with Councillors Doreen Engall and Darrell Barkworth, the chair and vice-chair of the fire authority. Before that, I met the Fire Brigades Union in its office in Hull to get the perspective of the firefighters themselves. At the meeting with the chief fire officer, it was put to me that the proposals were about changing how the fire service was operated in the Humberside area. We spoke about

funding, but, as my hon. Friend the Member for Cleethorpes has pointed out, the Humberside fire service has received a 5.8 per cent. increase in its Government funding this year. That is a generous allocation that compares favourably with the national average of 3.3 per cent. I am indebted to the Library, as always, for helping me to obtain the figures.

Since 1997, the Government contribution to the Humberside fire service has risen from £18 million. It will stand at £27 million under the latest comprehensive spending review announcement. Significant extra cash has been put into the service, so funding does not appear to be a driving factor behind the proposed changes. Indeed, the fire authority confirmed at our meeting that it did not intend to use all its precepting powers to raise money from the council tax and increase the overall budget. That, too, indicates that the authority was not really feeling under great financial pressure. In fairness to the chief fire officer, when I asked him whether the proposals were about money and whether the authority needed more money, wherever it might come from, he said that his driving force was how the service should operate in future, and that it was not a financial thing at all.

So, the consultation began. I should say one thing in favour of the fire authority: a consultation that effectively started in the middle of December and will run until the end of March at least gives people a generous amount of time to get involved. That has allowed local authorities, town and parish councils, port and health authorities, and all sorts of other organisations to have a say, and it has allowed the fire authority, the chief fire officer, the FBU and others to speak to people. At least we have had decent time for the consultation, but the simple truth is that the more people have heard about the proposal, the less they have liked it. They are extremely concerned about what will happen if the proposals go ahead.

Goole is a town that is changing enormously and quickly. It currently has a full-time fire station and two fire engines, both staffed with full-time firefighters. The plan is that one of the two engines will be changed to retained status and will back up the remaining full-time pump. Goole's growth in recent years has been in both population, through people moving into the town, and new development. The right hon. Member for Haltemprice and Howden will remember when Goole had a lot of derelict buildings, but now there are many homes in multiple occupation, which I think present a greater fire risk in many respects.

New houses are being built, new people are coming in and there are big industrial developments. The Capitol Park development, formerly known as Centreport, at junction 36 of the M62, has already had two major developments—the Guardian Industries glass factory and a large Tesco distribution site—and will continue to grow. More and more development is coming into Goole. It is on the edge of a motorway and it has a port, and there are risks associated with both. It seems to me, and I think to most local people, that when the town is going through unprecedented growth in such a time scale, the idea of reducing its fire cover is bizarre.

The idea is that the second fire engine will become retained, with firefighters who will be called out. We are told that they will be able to be deployed five minutes after the initial pump. I understand how retained fire stations work—there is one in Winterton, where I live. I know that they recruit more people than they need and call them up when there is an emergency. The first four or five to arrive get into the engine and off they go. That works well in many places all over the country.

In Goole, however, I asked the fire officer where those people would come from. He had a map of Goole, and someone had simply drawn a circle covering the theoretical five-minute travel time. To anyone who knows Goole, that beggars belief. There is a major road through the centre—Boothferry road—which comes to a level crossing straight through the centre of the town. The level crossing is regularly closed because of the amount of rail traffic through the town. It is not at all uncommon for the centre of the town to be completely gridlocked for long periods, particularly during the day. Nearly all the housing in Goole is the other side of that road and railway line from the fire station, and the idea that people from there could reach Goole fire station in five minutes beggars belief. That might be true for people in the small number of houses on the other side of Boothferry road and off Rawcliffe road, but it is unlikely that the station could recruit all the retained firefighters that it needed from such a small part of the town.

The chief fire officer gave me the idea that the only cut that we were being asked to accept in Goole was that the second fire engine would arrive five minutes after the first. I do not believe that that is the case, but even if it were, how desirable is that? There have been some serious house fires in the area, and we all know what happens: the first firefighters to arrive go inside the property as quickly as they can if they think that lives are at risk. We know from previous reviews of fire services that they have to backed up by the services of another fire engine. In theory, any delay could mean that people would be put at greater risk, because firefighters might not go into a building. In reality, firefighters will still go in, but without the proper back-up.

David Davis: I support the hon. Gentleman's case because I, too, depend on that fire station. One reason why my area of Howden depends on Goole fire station is the difficulty of recruiting retained firefighters. There are gaps in cover during the day, particularly from noon to late afternoon. It is already difficult to recruit, but there proposal for Goole is, in many ways, a much tougher contract than the one that operates in Howden. How difficult will it be to provide the second fire engine, for both his area of the world and mine?

Mr. Cawsey: I agree entirely with the right hon. Gentleman. On local issues, I always think of him as a right hon. Friend, because they are important to both of us.

Another matter to consider is what will happen if people are recruited in the first place, but the staffing cannot be maintained later. There was a time when Howden was properly staffed all day with retained crew, but now it cannot be. What will happen if Goole goes down that route and finds at some future point that it cannot keep the right number of retained firefighters? From that point on, everything would be connected to everything. If Goole fire station were not there, we would rely on Howden. If Howden could not act, we would rely on Snaith. In the other direction,

[Mr. Cawsey]

Old Goole would have to rely on Crowle in north Lincolnshire. If Crowle had to cover Old Goole, Epworth would have to cover Crowle. There would be a knock-on effect, and what started off with a simple decision in Goole would affect fire cover all over the place. That can be avoided by the simple decision to keep both fire tenders in Goole full time.

I have mentioned the fact that Goole is on the edge of the M62. There was debate earlier about what FSEC includes. It certainly does not include road traffic accidents, which is of great concern to me. There are any number of road traffic accidents on the M62 every year. I do not know whether right hon. and hon. Members listen out for reports in the same way as me and the right hon. Member for Haltemprice and Howden, but I frequently hear the words, "In the vicinity of junction 36," which is the Goole turn off. The Goole fire station is frequently called out. For that not to be thrown into the equation for calculating future risk is bizarre in the extreme, and local firefighters have told me that it is a big concern to them.

My hon. Friend the Member for Cleethorpes mentioned Flixborough, which I now represent. People will not forget the impact of that incident. When we look at the south bank, we will see similar chemical industries to those that were based at Flixborough, which is another concern about the proposals.

East Riding of Yorkshire council's scrutiny team is looking into the proposals and has set up a review panel to take evidence and to make recommendations to the council. I spoke to the panel at the Goole leisure centre. I hasten to add that there were only a small number of members of the scrutiny committee present, rather than the whole committee. Sadly, there are not that many Labour members of the council, and the panel was made up of Tories and Lib Dems—none of my Goole colleagues were on it. I thought that we had had a sympathetic hearing, so I was flabbergasted when the panel said that it supported the chief fire officer's proposals for Goole. However, I was pleased that the full scrutiny committee of the council threw that recommendation out. The council itself is supportive of everything that has been said here today.

North Lincolnshire council, which is the other local authority in my constituency, is meeting tomorrow night to consider a motion from the ruling Labour group—that gives me some hope—to oppose the proposed fire service cuts. As far as I have seen, that is in step with the local response. The number of people who have responded is simply amazing. The Fire Brigades Union has shown me copies of its polling and the slips that it has sent to local people to fill in. There were thousands of responses, even after I had sifted through to find only those from my constituents. The *Goole–Howden Courier* and the *Goole Times* have run articles and campaigns to try to change the Goole decision, and the *Scunthorpe Telegraph* has run a campaign for the Kirton fire station in the constituency of my right hon. Friend the Member for Scunthorpe (Mr. Morley), which I am sure he will say something about later. The public are saying no. As I said, the more they hear, the less they like.

When the chief spoke to me, he told me that his aspirations were for better kit for road traffic accidents and floods, and more fire prevention work. Nobody, including the FBU, disagrees with that agenda. The FBU told me simply, "We can do those things without cuts," and said that it would work with the chief fire officer and the authority to advise them on how to do so. That being the case, there is no better reason why we should not go back to the drawing board and start again to ensure that we have the best protected and best equipped fire service for our communities.

11.43 am

Mr. Austin Mitchell (Great Grimsby) (Lab): It is a pleasure to speak for the first time under your chairmanship, Mrs. Humble, and I congratulate my hon. Friend the Member for Cleethorpes (Shona McIsaac) on securing a debate on this important issue. She is a dogged fighter for her constituents' interests, and her contribution was another example of the fight that she puts up to protect them. My hon. Friend the Member for Brigg and Goole (Mr. Cawsey) brought a great deal of expertise on local government and its reactions to the proposals, but I should like to speak more generally about the issue.

The essence of the union's case against the fire authority's strategic plan is that it would lead to 110 job losses for firefighters, some at Waltham and some at Immingham, and others scattered around the south Humberside area. We can see the serried ranks of south Humberside firefighters facing us in the debate.

Cuts in personnel are always called efficiency savings. I deprecate such a mindless Gershon process—it drives on, even though in this instance it is cutting right to the bone rather than at flesh. This is the latest in a long salami-slicing process of cutting the number of firefighters in the area and it must stop, because the area has one of the highest risk levels in the country. It is a chemical production and oil refining centre. There are 32 industrial sites in the Humberside area that are at the highest risk level, as defined under Control of Major Accident Hazards Regulations 1999.

The motorways bring their problems. My hon. Friend the Member for Brigg and Goole mentioned the M62, but the M180 and the A180 are in a disgraceful state of repair. We have made representations about the traffic pressures that are building on the A160 and about the A46, which is perhaps one of the most murderous roads in the country. The *Grimsby Telegraph* contains a litany of reports of crashes and cases in which the fire brigade is called out for rescue work.

There are two sets of docks in the area: at Immingham, which has the busiest docks in the country, and Grimsby, and a busy estuary, around which huge traffic and shipping pressures are building. We have had floods—they were worse on the north bank than on the south—that were a problem for the fire brigade, and we have now had an earthquake. I always wanted Grimsby to be the epicentre of something, but I did not envisage that it would be the epicentre of an earthquake. Nevertheless, that is another hazard to add to the litany.

Most importantly, we have a legacy of old houses and some of the poorest super output areas—I do not know why they are called that when the statistics are so depressing. The area has some of the worst statistics on the decline of housing and on poverty in the country. In 1980, I lectured in America for the English-Speaking Union, which provided me with a driver to take me

around Harlem. He would not let me get out of the car to take photographs, fearing an assault, but the burnt-out houses that I saw paralleled, to a degree, what can be seen in the East Marsh area. There is much less of a problem than in Harlem, but burnt-out houses in older areas are a problem, and it is the result of houses getting older and inadequate landlords.

The development of the strategic plan, as my hon. Friend the Member for Cleethorpes said, is in many ways an excellent exercise, certainly for what it proposes on fire prevention work, training, new gear for flooding and rescue and new platforms. The fire brigade in my area has also done an enormous and successful job in providing free smoke detectors. It no longer gets money from the Government to do that work—it must do so through alternative means—but the work could not be done through cuts, and it must go on.

The strategic plan, which was launched suddenly in December, as other right hon. and hon. Members said, has its virtues. However, there are several reservations. First, the unions, the firemen and local authorities were not involved in its development, which has been going on for more than three years, so it should have been possible to involve the people who deal with fires and the councils that face the problems. Secondly, the proposals are based on risk and the arrival time of the first engine. However, the arrival time of the second engine is crucial, without which firemen would plunge into situations in which they must either wait until a safe number of firefighters arrive, thus risking the lives of the public, or act without waiting for the second engine. The more stations we close, the longer it will take the second engine to arrive, particularly when numerous call-outs are putting a strain on Peaks Lane, but the strategic plan neglects that problem.

The strategic plan was done over three years, but the financial implications and the impact on the number of jobs are not spelled out. It is striking that there are no costings, given that the area got a better settlement than most, as my colleagues have said. We got a 5 per cent. increase in our allocation, and the national average was 3.3 per cent., as my hon. Friend the Member for Brigg and Goole said. We got the fifth-highest settlement for a combined fire authority, so the need to make cuts on such a scale has been undercut. The fire authority cannot justify making the cuts in the strategic plan, given the settlement that it received.

The proposed cuts are not paralleled elsewhere. The only station closure I know of is in Cleveland, and two of the proposed closures in Cornwall have actually been reversed. We do not see the justification for making cuts now when Humberside has done better than most. It is a shame that the proportion of Government funding is falling—it has fallen from 80 to 70 per cent. since 1997—and that local authority support is falling as a proportion of local authority spending. That is unfortunate, but we are talking today about a local issue, and my point is that the problem is not as serious in our area, which again undermines the case made in the document.

The proposals increase insecurity in all the areas that we are concerned about, not just Waltham. Clearly, given the demonstration on Saturday, people there feel insecure about the closure of their station, even though it is a retained fire station. However, the closure will have an impact on the whole area, because it will affect the arrival time of the second appliance and increase the strain on the Peaks Lane station in Grimsby.

The result of the proposals is a feeling of insecurity, which is now stirring people to action. The consultation ends on 31 March, and as will be clear from the debate, my colleagues and I will be making very strong representations. My plea to the fire authority is, "Now that you've got more money than you expected, please think again."

11.52 am

Mr. Elliot Morley (Scunthorpe) (Lab): I congratulate my hon. Friend the Member for Cleethorpes (Shona McIsaac) on obtaining the debate. As you can see, Mrs. Humble, all the MPs from the south bank are here as part of a united front, which illustrates how strongly people feel about this issue and how important it is for us to reflect our constituents' concerns. I want to focus particularly on the threat to Kirton in Lindsey fire station, which, as my hon. Friend said, is one of the stations earmarked for complete closure.

As my hon. Friend has said, we have heard about this issue in various ways. My hon. Friend the Member for Brigg and Goole (Mr. Cawsey) said that he heard about it on Radio Humberside, and I heard about it from a constituent who engaged me in conversation on the train back to my constituency, as constituents often do. He was a firefighter, which was helpful because he was very knowledgeable about the issue, and we discussed the ins and outs and the impacts of the proposed closure. I immediately arranged a meeting with the chief fire officer of the Humberside fire authority to express my concerns and to talk to him personally about the justification for the closure of the Kirton in Lindsey fire station.

This is not just about the increased risk to the people of Kirton in Lindsey, although that is, of course, an issue because, whatever changes are introduced, response times will be slower if the community loses its fire station. However, the closure is also an issue for both urban and rural areas in the whole of my constituency. As my hon. Friend the Member for Cleethorpes said, the number of pumps on the south bank will be reduced from nine to seven, which means a slower response, particularly in terms of back-up from a second pump. That must be taken into account, because the Kirton pump provides back-up in other parts of my constituency and north Lincolnshire.

When I met the chief fire officer, he was at great pains to stress that the proposals were not about cutting the budget, but about responding to independent reports on providing good fire cover for the whole area. He said, as my hon. Friend the Member for Great Grimsby (Mr. Mitchell) noted, that the savings will be ploughed back into the fire service in the form of equipment for dealing with floods, for example. I am sure that such things are desirable, but we must take into account the overall impact of removing these machines.

[Mr. Greg Pope *in the Chair*]

I am concerned about the maximum 20-minute response time that the fire authority recommends for low-risk areas, because Kirton in Lindsey is on the very

[Mr. Elliot Morley]

edge of the area covered by that response time. I am also concerned about the figures that have been used to justify the closure of the Kirton in Lindsey fire station. We have heard about road traffic accidents, and I would add the A15 to the litany of roads that are regarded as very high risk. The A15 has been classified as one of the most dangerous roads in Britain, because of its accident rate. I raised the issue with the chief fire officer, who said that Scunthorpe has a dedicated machine to deal with road traffic accidents, which can get out in an average of 15 minutes. That is fine, if it is correct.

Although there are arguments about availability and about how busy individual fire stations in the Humberside fire authority are, there is no argument about the fact that Scunthorpe is one of the busiest in the whole fire authority area. I therefore return to the point that we must look at the role of the Kirton in Lindsey fire station not only in terms of Kirton in Lindsey, but strategically, in terms of the back-up that the machine there provides as part of overall availability in an area that is full of COMAH sites, as my hon. Friend the Member for Cleethorpes said. In Scunthorpe, for example, we have the steelworks and a range of other high-risk industries, and that needs to be taken into account.

A number of issues of detail have been raised with me. What, for example, would be the net savings from closing the Kirton in Lindsey fire station? There is quite a large gulf between the FBU's calculations and those of the fire authority. I have written to the chief fire officer to take up a range of issues that relate to the calculation of costs and times. There are arguments about the availability of the Kirton in Lindsey fire station. As my hon. Friend the Member for Brigg and Goole said, it is not unusual for machines at retained fire stations to be unavailable for parts of the day, which is not surprising given the nature of such fire stations. However, there are arguments about the length of such periods at the Kirton in Lindsey station, and we must compare what the fire authority says about them with what the firefighters say. Those issues require answers, and I have some very serious concerns about them.

My major concern is about the level of risk and fire cover, and the fire authority needs to answer some legitimate points. I share my hon. Friends' concerns about the overall recommendations on the level of fire cover, and I can certainly confirm the level of concern among members of the public.

The *Scunthorpe Telegraph* has been running a campaign that has had thousands of responses from people expressing concern about the proposals. As for the consultation, I appreciate the fact that the fire authority has met representatives of North Lincolnshire council and that, at my request, it also sent representatives to hear at first hand the concerns of Kirton in Lindsey town council. That is nature of consultation, but the consultation has clearly thrown up serious issues in relation to the proposals, which call them into question.

12 noon

Dan Rogerson (North Cornwall) (LD): I congratulate the hon. Member for Cleethorpes (Shona McIsaac) on securing the debate. One of the fascinating things about Westminster Hall is that hon. Members like me, from Cornwall at one end of the country, can find out what is different about other areas, as well as the similarities about issues that are being raised, the challenges that local authorities face and the decisions that they take to deal with them. I was particularly interested to hear about the great impact that the proposals will have on the hon. Lady's constituency in particular, with regard to both whole-time fire stations and the retained service. I shall talk later about the retained service and the important contribution that retained firefighters make.

The hon. Lady referred to concentrations of industry and the ports sector in her constituency and the wider area of Humberside. That is a crucial concern. I attended a debate in Westminster Hall some time ago about what happened at Buncefield, and the lessons that are being learned from it. I think that it has been referred to in coverage locally in the hon. Lady's area.

Shona McIsaac: In fact it was firefighters, including retained firefighters, from Waltham who were flown down to Buncefield to advise on how to deal with the fire.

Dan Rogerson: I continue to learn about firefighting expertise in the hon. Lady's area. Of course the cuts are not just to bricks and mortar—fire stations—but to the number of firefighters. That has been shown to be a matter of great concern to her constituents. She also discussed additional funding, to which I may return when I respond briefly to the remarks made by hon. Members during the debate, and risk assessment. Her detailed analysis of the facts and figures relating to incidents in her constituency was useful and illuminating.

As well as briefing us on the highlights of the social calendar in the run-up to Christmas in his constituency, the hon. Member for Brigg and Goole (Mr. Cawsey) talked about how significant the consultation has been. That is to be welcomed. Hon. Members in all parties are in favour of local decision making and of locally elected representatives having the power to examine issues in detail and act accordingly. If that is to happen, proper consultation is crucial and those responsible should show how they will take comments on board. Given the time allowed for the consultation and the engagement with the public, I am reassured that that is happening, and I am glad to hear of it.

The hon. Member for Great Grimsby (Mr. Mitchell) discussed the impact of the cuts in terms of job losses. Of course that is a matter of concern, and the FBU has been vocal in fighting for its members in the light of the contribution that they make, and of professional concerns about changes to fire and rescue cover throughout the country. The hon. Gentleman also raised the issue of pressure from above—efficiency targets, the general culture in which people are working at all levels in local authorities, and the pressure to modernise, to use a word that is probably over-used. The right hon. Member for Scunthorpe (Mr. Morley) talked about the wider role of every station and the knock-on impact of what is happening. Again, he referred to the operation of the retained service.

I shall focus on some of the factors influencing the decision to make changes in the Humberside area. It seems to me that there is relevance to the wider debate

about efficiency, to which the hon. Member for Great Grimsby alluded—the question of a culture that requires every local authority, or, indeed, fire and rescue authority, to show that it is changing all the time. That process is not necessarily always helpful. It must be based on evidence. Rather than involving purely local decisions taken in a vacuum, the process takes place within a culture of messages about what Whitehall wants local authorities to do. I hope that the Minister will talk about the statements and policies that the Government are putting into practice, which are leading to some of the changes that local authorities must make.

As for the Government's contribution, although I am sure it is true that there has been some increase in funding and that it compares favourably with the national average for central funding for fire and rescue, local government overall is struggling to deliver the services that it is asked to provide, given the tight financial constraints. It may be that in the case that we are discussing the precept has not been set as high as it could have been, but I suppose that one eye must be kept on the future. Perhaps the changes are being made on the basis of efficiency savings that may be asked for in future and are intended as an early attempt to allow for that.

It is interesting that other fire authorities elsewhere are having to act in a similar way. If the decision is purely local, why is that happening? The hon. Member for Great Grimsby referred to my area, Cornwall, where consultation is taking place on the number of whole-time fire stations that are to be in operation. Indeed, I went with some of my hon. Friends to discuss with the Minister both that issue and the funding pressures on Cornwall county council. I know that the situation is the same for the new neighbouring Devon and Somerset fire and rescue authority and for authorities in many other parts of the country.

The Government are also pushing through regional control centres, which will have a cost overall. There will certainly be an up-front cost, although it remains to be seen whether efficiencies will be demonstrated in the longer term. The FBU in particular has been vocal about that change, and it is important to put it in context. I understand that one of the aspirations for the process was to help to fund more technology, particularly for retained firefighters. The aim was to provide them with better technology, such as satnav, with which to respond to incidents. I hope that that materialises as part of the Government's leadership in bringing about change.

I hope that as the Minister considers the issues that are local to Humberside, he will also consider the issues for the whole country. I also hope that he will see that Humberside's review of cover and of the number of whole-time and retained firefighters is not an isolated incident, and that he will consider the effect of messages from Whitehall and Westminster, through discussions with local authorities of the reasons for their decisions.

One of the downsides of debates such as this emerges when a case of a station changing from whole-time to retained is raised in the media. I completely understand why people want to discuss whether that is right for their area, but sometimes a negative message goes out about the retained service, suggesting that it is in some way second class. I do not say that the Labour Members who have spoken meant to make that point, merely that it is sometimes the mood music in the background because of people's concern about how the retained service operates. I represent an area where the vast majority of cover is provided by retained firefighters, and they provide an excellent service. I should hate it if the message were to go out from this or any debate that we in Westminster do not appreciate the job that they do, or that we are unaware that they display just as much professionalism as whole-time firefighters. The two groups working together usually provide an excellent team in every area.

I hope that the Minister will examine ways of modernising retained firefighting systems, to ensure that response to call-out is more effective. Given that patterns of working have changed, and that people often no longer work close to the fire station where they are on call, but further afield, perhaps more resources can be put in by the Government to support local authorities in pursuing new ways of operation, including pilot schemes, for the retained fire service, at least in the short term. In that way, we can ensure that retained as well as whole-time fire services change with the times.

To return to local services in Humberside in particular, what we want ultimately is to know that the consultation, which has attracted a huge number of responses from local people, will be taken into account by the local fire authority, and that the authority will re-examine everything that it proposes to do in view of the additional points that will undoubtedly have come to light in the consultation, so that the final decision, when it is reached, will be a local decision that takes into account all the factors. However, we must recognise that the local fire authority operates within a climate set by the Government.

12.10 pm

Mr. Stewart Jackson (Peterborough) (Con): It is a pleasure to serve for the first time under your chairmanship, Mr. Pope. I congratulate the hon. Member for Cleethorpes (Shona McIsaac) on securing this debate, as well as her fellow local Members of Parliament.

The proposals have generated considerable concern locally, not least because of allegations that they are all about saving £4 million over three years and because they will involve more than 100 job losses and affect four stations. However, we should not forget that the campaign is an all-party effort—it is a campaign not just by Labour councillors and Members of Parliament but by people across the party spectrum. It is timely to pay tribute to local newspapers such as the *Scunthorpe Telegraph*, whose "stop the fire cuts" campaign has been very helpful.

Members have covered the issues comprehensively, so I shall try not to repeat what they have said, but one of the specific issues that I shall address is the efficacy of spending £36,000 of public money on a consultation undertaken by a Swansea-based public research company. The fire service prays in aid Cabinet Office guidelines. I do not think that that is necessarily an excuse for spending so much money while considering service reductions. Perhaps I am old fashioned, but I take the view that elected officials should take executive decisions rather than trying to offload responsibility through consultation processes, which are not always as genuine as they might seem.

[Mr. Stewart Jackson]

The fire service has claimed that the planned reductions are not financially driven. Hon. Members have made the point clearly that the service has been given a generous 5.8 per cent. increase in the grant allocation for 2008-09—although the percentage increase will be reduced provisionally over the next two financial years—despite a 2005 Audit Commission comprehensive performance assessment rating of only fair and a declining direction of travel rating between 2006 and 2007.

There are other areas of specific concern. As hon. Members have mentioned, an inconsistent approach has been taken to development. In a recent presentation to Hull city council, the fire service conceded that development patterns in Hull had informed its decision, particularly with respect to Hull central station, but that factor has been disregarded in respect of north Lincolnshire and north-east Lincolnshire, where future development is not considered an appropriate issue. Significant industrial development is occurring in the Goole area, particularly in Centreport and Capitol Park, and proposals are in the offing to build a straw-burning power station there.

As the hon. Member for Brigg and Goole (Mr. Cawsey) said, there seems to be no recognition of the proximity of transport infrastructure. Goole is the busiest inland port in England. It receives a huge amount of timber, for example, through its docks, and is adjacent to the busy M18 and M62 motorways. As I understand it, the service conveniently focuses on road traffic accidents only in the Goole area, rather than in the wider area, which would include those major roads. Mention has also been made of the level crossing and traffic in Goole. In Kirton in Lindsey, as the right hon. Member for Scunthorpe (Mr. Morley) mentioned, road traffic accidents on the A15 are increasing, and that must be taken into account.

There is also the question of the methodology used in the fire service emergency cover risk assessment, which was mentioned by my right hon. Friend the Member for Haltemprice and Howden (David Davis) and the hon. Member for Cleethorpes. The East Riding of Yorkshire and north Lincolnshire seem to be dismissed as a low-risk area by reducing the standard response time to 20 minutes. In my opinion, that is based on a narrow interpretation of urban deprivation indices. As my right hon. Friend said, it ignores the growing elderly population, particularly in the East Riding.

The proposals also disregard the consequential changes to other fire stations in the area. As we have heard, the changes to Goole will have an impact on Howden, which already has problems recruiting retained firefighters, as well as on Crowle, Snaith and other stations. The downgrading proposals will therefore mean that a significant rural proportion of the East Riding of Yorkshire and north Lincolnshire will be covered by just one pump for much of the day. Similarly, the proposal to close the Kirton in Lindsey station will affect the retained pump in Brigg, necessitating cover overstretch in Barnetby, Brigg and other areas.

However, that is where the consensus must end. Hon. Members cannot expect me not to mention that every action has a reaction. Each hon. Member who has spoken supported the Fire and Rescue Services Bill in 2004, which forced on local authorities a local integrated risk management plan. Hon. Members have prayed in aid the Fire Brigades Union, but the FBU said in a press release in 2004 that the Bill and its proposals would

"downgrade the rescue role of the fire service and produce cuts across the service under the guise of local Integrated Risk Management Plans."

My right hon. Friend the Member for Haltemprice and Howden, who at that time was shadowing the Deputy Prime Minister, challenged the right hon. Member for Kingston upon Hull, East (Mr. Prescott), asking:

"Will the Deputy Prime Minister also pledge that rural communities...will not be penalised as a result of the integrated risk management approach?"—[*Official Report*, 30 June 2003, Vol. 408, c. 24.]

Hon. Members must also admit that it is inconceivable that the Government's regionalisation programme for the fire and rescue service, which is three years late and perhaps as much as 14 times over the budget in the outline business plan of October 2005, has had no impact on the proposals. The hon. Member for Brigg and Goole, for whom I have a great deal of respect, has publicly defended the decision to relocate control facilities to Wakefield in West Yorkshire. In that respect, he is out of step with the FBU. Surely all Members must now see a causal link between the Government's flawed reorganisation agenda and service reductions in their constituencies.

Mr. Cawsey: The Fire and Rescue Services Act 2004 ensures that risk to human life is the first priority for each fire service. If the Conservatives are saying that they disagree with that, I am surprised. As far as local opinion is concerned, if the situation was caused by a national Act, why is it not happening everywhere in the country? It is happening in Humberside, not elsewhere. How could it be linked to a national Act of Parliament?

Mr. Jackson: I spoke earlier to my right hon. Friend the Member for East Yorkshire (Mr. Knight), who cannot be here because he has other engagements. He made the point that in 18 years of Conservative Government, there were no proposals for cuts of this size in Humberside. That is pertinent.

Mr. Cawsey: I was a Humberside county councillor during the period of Conservative Government. We had regular demonstrations about attempts to cut fire services in the area. Peakes Lane station in Grimsby is not being affected now, but it was then. This is not new at all.

Mr. Jackson: I take the hon. Gentleman's comments on board, but I must press on to allow the Minister to respond.

The Humberside fire and rescue service is about to receive an above-inflation grant increase, so the reasons for the reductions must be non-financial. They are being contemplated—I address this to the Minister—only because the Government refuse, even when faced with a significant risk of flooding like last year's, to reconsider resilience funding for uniforms and equipment for the Humberside fire service or, as hon. Members will know, for proactive work on smoke alarms, at a cost of £180,000 a year.

Even after three years of study and research, the proposals have not been thought out fully; they are incoherent, opaque and, potentially, a threat to life and property. They have arisen out of the centralising agenda of this Labour Government. To blame the fire service alone is disingenuous and wrong. I trust that the Minister will accept some of the blame for the situation and reassure the Chamber that he is aware of that fact and intends to do something about it.

12.20 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Parmjit Dhanda): I congratulate my hon. Friend the Member for Cleethorpes (Shona McIsaac) on her very effective and cogent argument. I also congratulate my hon. Friends the Members for Great Grimsby (Mr. Mitchell) and for Brigg and Goole (Mr. Cawsey), my right hon. Friend the Member for Scunthorpe (Mr. Morley) and, indeed, the right hon. Member for Haltemprice and Howden (David Davis). The latter is not here now, but got his point across effectively without being distracted, like the hon. Member for Peterborough (Mr. Jackson), by talking about funding in such a party political way. The right hon. Gentleman knows that, at 5.8 per cent., the settlement for the region is one of the best in the country, with a further 3.5 and 3.3 per cent. in subsequent years. It is quite sad that the hon. Gentleman tried to play party politics in the debate. My right hon. and hon. Friends and their local papers—the *Hull Daily Mail*, the *Grimsby Evening Telegraph* and the *Scunthorpe Evening Telegraph*—did not. That was an unfortunate contribution to the debate.

As well as the settlement of 5.8 per cent. over the next year, the Government have supported national fire and rescue services with about £200 million of new dimension equipment, which for Humberside has meant an incident response unit for mass decontamination, a mass decontamination disrobe module, a detection, identification and monitoring team and a high-volume pump, which proved very helpful during the summer floods.

Mr. Morley: I was discussing that with a firefighter on the train home recently. He said that, as a firefighter in Humberside for many years, he has seen a huge improvement in the quality of equipment and machines under this Government, compared with the previous one.

Mr. Dhanda: My right hon. Friend is correct. That is one of reasons why the number of fire deaths has been reduced to the lowest figure since the 1950s, including in my hon. Friends' region. That is also in part the result of legislation and changes in the fire service introduced in the past five years by this Labour Government, such as the Regulatory Reform (Fire Safety) Order 2005 and the local integrated risk management plans. We should congratulate the fire and rescue service on the way in which it has remodelled and changed itself in recent years.

My right hon. and hon. Friends made cogent points about the dangers at local level if people are not consulted adequately on the detail of the changes. I do not think that they expect me to enter into the detail of those local decisions, because the whole point of IRMPs and the RRO is to allow local communities, authorities and fire and rescue services to make the decisions. From what the hon. Member for Peterborough said, it struck me that the Conservative party is not in favour of IRMPs and the RRO—measures that have reduced the number of fire deaths, ensured that the fire service has had far more time to carry out preventive work in local communities and, with funding from my Department, enabled more than 1 million smoke alarms to be placed in people's homes. I am therefore surprised by his apparent stance.

My right hon. and hon. Friends made points about local changes proposed by the local fire and rescue authority, which has a different opinion, as would be expected. As my right hon. Friend explained, the chief fire officer told him that he feels, based on independent reports, that the changes would result in better local provision. It is not my duty to make the case for the local fire and rescue authority; it must do that to convince local people. I appreciate that, as my hon. Friend the Member for Brigg and Goole said, it has extended its consultation period to the end of this month. The fact that local Members of Parliament have been engaged with that process, and have had an opportunity to raise their concerns, is important. I hope that all factors are taken into consideration when those local decisions are made in the coming weeks.

My right hon. and hon. Friends and the right hon. Member for Haltemprice and Howden mentioned FSEC and the criteria used. It is important to get across the fact that FSEC is merely a tool created in 2004 and is not binding on local authorities, which can find their own methodologies, if they have their own views on how decisions should be made locally. I hope that I have made that clear. Furthermore, I can tell the hon. Member for North Cornwall (Dan Rogerson), who made comments about the retained duty service with which I agree, that our retained firefighters provide a very valuable service to our country. However, the Government need to do more to support their recruitment and I am very keen to do more with their employers to ensure that they feel valued for allowing retained duty staff to serve their local communities.

The hon. Gentleman and the hon. Member for Peterborough also mentioned—this was a slight distraction—the FiReControl project, which will deliver further savings for fire and rescue authorities on their control rooms to the tune of about 25 per cent. It will also provide the best technological solution that this country has ever had. Last week, I visited a similar version up and running in Sweden. Ours will provide an even better technological solution and service, ensuring that it protects and saves people's lives and provides our firefighters with the best system that we have ever had. That is probably part of the reason why colleagues of the hon. Member for Peterborough, such as Conservative Councillors Jerry Wilmott and Pete Roffey, and the chair of the Local Government Association's fire committee, Councillor Les Byron, are doing such sterling work in helping to support the project and to deliver it across the country. They are mature enough to accept that that will make a real difference and save people's lives.

Mr. Jackson: Will the Minister give way?

Mr. Dhanda: I shall not. The hon. Gentleman has had his say.

[Mr. Dhanda]

My hon. Friend the Member for Cleethorpes mentioned the fact that her constituency has a significant amount of coast line, which, along with poverty and the ability to raise council tax, is one of the measures used to calculate our formulas. That is one reason why Cleethorpes and the Humberside authority received a 5.8 per cent. increase this year as well as likely above-inflation increases for years 2 and 3 of the settlement. My hon. Friend the Member for Brigg and Goole talked about the changes not being finance driven, which probably came as something of a disappointment to the hon. Member for Peterborough and, perhaps the hon. Member for North Cornwall, although I thought that the right hon. Member for Haltemprice and Howden—a local Member—was far more mature in his approach.

Mr. Jackson: I am delighted that the Minister is rising above party politics. If things are so wonderful in the FiReControl project, why has he failed to persuade virtually all the local councillors and authorities and other key stakeholders in his own constituency that it is right?

Mr. Dhanda: Obviously the hon. Gentleman has not been following events very closely. If he had, he would be aware that last week the Conservatives on Gloucestershire county council put out a press release saying that they would join the regional management board on the project. Actually, the local authority has been working very closely on the project for a significant period and the chief fire officer is a member of the test board. Unfortunately, the hon. Gentleman tried to turn this into a political debate, when it is in fact a very important local debate, which is a point that my right hon. and hon. Friends got across. The points they made in this valuable debate will be listened to in this House and back in their constituencies, and I hope that they will be considered very carefully when the fire authority makes its decisions.

Bovine Tuberculosis

12.30 pm

Daniel Kawczynski (Shrewsbury and Atcham) (Con): Thank you, Mr. Pope, for calling me in what I consider to be a very important debate about bovine tuberculosis. I am chairman of the all-party group on dairy farmers, one of the largest all-party groups with more than 170 members from all political parties. I am very encouraged by the widespread support for the group, not just from Conservative Members, but from many Labour Members as well.

We have focused until now on the price that farmers are paid for their herds' milk, and I hope that the Office of Fair Trading takes on board our concerns and takes action against the supermarkets. However, our group's second most important concern is bovine TB. In Shropshire, the bovine TB situation is absolutely dire. I have visited many farms in my constituency to see at first hand the terrible suffering and misery that the disease has caused. There is a farmer, Mr. Chris Balmer, in the village of Snailbeach, who throughout the year as well as repeatedly not receiving his Rural Payments Agency payments, has had bovine TB on his farm, which almost drove him to bankruptcy.

Many farms in that part of Shropshire, between the Welsh border and the villages of Minsterley and Pontesbury, have seen a massive increase in bovine TB in the past few years. I have a list of questions from one farmer, Mr. Stuart Jones, of Asterley, which I sent today to the Minister and ask her to answer, if she would be so good enough. The situation in Shropshire is such that whereas in 1998 45 animals were slaughtered under bovine TB control measures, in 2006 the figure was 915. On a year-to-year basis there has been massive incremental growth. I say again to the Minister that Shropshire alone has seen the number of slaughtered animals increase from 45 to 915. I want almost to repeat that statistic over and over again, because it is absolutely breathtaking—from 45 cases to 915. It is an outrage that the situation is allowed to continue. In that period, there has been an increase of 500 per cent. in the confirmed reactors in Shropshire, from a total of seven in 1998 to 278 in 2006.

One of the most serious and damning critical assessments of the Prime Minister by my right hon. Friend the Leader of the Opposition is his description of the Prime Minister as "dithering". That is a serious allegation, because in politics one cannot afford to dither. People expect one to make decisions: no matter how controversial they are or how many people one is likely to upset, one has to show courage and make tough decisions. I perceive the lack of action that has allowed the massive increase in animal slaughter in Shropshire to be nothing short of dithering by the Government.

The cross-party Select Committee on Environment, Food and Rural Affairs issued a report on 26 February, which I want to raise with the Minister, because it is an important part of my speech. Lord Rooker referred to the report as "excellent". It says:

> "The Government's current method of controlling cattle TB, that of surveillance, testing and slaughter, is not working effectively."

It continues:

"The Committee's conclusion is that there is no simple solution that will control cattle TB. The Government must adopt a multi-faceted approach to tackling the disease, using all methods available. The Government's strategy for cattle TB should include: more frequent cattle testing, with more frequent and targeted combined use of the tuberculin skin test and the gamma interferon test; the evaluation of post-movement cattle testing; greater communication with farmers on the benefits of biosecurity measures; the deployment of badger and cattle vaccines when they become available in the future".

It also asks for the consideration of a limited cull in hotspot areas. Interestingly, the report continues:

"The measures the Committee has recommended will require an increase in financial support from Defra. However, this is necessary if the Government want to avoid ever-increasing expenditure forecast in future years, which could total as much as £1 billion between now and 2013. Ministerial assertions driven by Defra's budgetary control problems, that the budget for cattle TB will be reduced are unrealistic."

The report then makes its most important point:

"Defra is now justified in making a case to HM Treasury for a 'spend to save' policy. But in so doing it will once and for all have to commit itself to a strategy with clear goals against which progress can be measured."

The Committee's Chairman, my right hon. Friend the Member for Fylde (Mr. Jack), said:

"This is a complex issue and there is no simple solution. But I am pleased that the Report represents the unanimous view of the Committee."

I know some of the Committee's members. They include Labour Members who represent cities and towns with very few farmers. Some of those Members are, as I perceive them, on the left wing of the Labour party, but even they are happy to put their names to the report, which is quite damning of the Government's policy on tackling TB and calls for the important measures to which I have referred to be implemented.

Mr. James Gray (North Wiltshire) (Con): I congratulate my hon. Friend on calling this vital debate. I serve on the Environment, Food and Rural Affairs Committee, and one of the most interesting things about the report is that it has been welcomed by the Badger Trust on the one hand, and by the National Farmers Union on the other, which is not bad going. Does he agree that one of the most important outcomes of today's debate would be for the Minister to do what the Secretary of State suggested he might be ready to do when he spoke in Oxford earlier this year, which is accept the report's recommendations, including those on badger culling?

Daniel Kawczynski: I totally agree, and I should like the Minister to respond to the Committee on which my hon. Friend sits. What is her response? When will the recommendations be implemented? And when will she be able to announce the necessary extra funding that those vital recommendations need to go ahead?

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): I, too, congratulate my hon. Friend on obtaining the debate. The farms in my Gloucestershire constituency are in one of the worst affected areas. Does he agree that not only should the Government stop dithering and announce a cull in hard boundary areas as the report recommends, but that owing to the figure that he gave of £1 billion in possible costs by 2013, it would be absolute folly for DEFRA to reduce in any way its research on a vaccine? As the report makes clear, a vaccine is likely to be the best long-term solution to the disease.

Daniel Kawczynski: I totally agree, and I look forward to the Minister's reply to my hon. Friends' comments.

I realise that, for the Minister, the situation is difficult. Interestingly, the largest group in Shropshire is the Shropshire Wildlife Trust, which has almost 8,000 members, and its symbol is a badger. I went to see the trust, whose representatives said to me, "Mr. Kawczynski, why do you want to kill badgers? Why do you want a cull of badgers?" I spoke last night to the trust's development manager, Mr. John Hughes, who made very much the point that my hon. Friend the Member for North Wiltshire (Mr. Gray) just made. Mr. Hughes said that even the trust looks to the Government for a rapid decision. The trust realises that the badgers are suffering terribly as a result of this appalling disease, and it also realises that the damage being done to our agricultural sector is of such a magnitude that ultimately it will affect wildlife groups such as the trust, wildlife itself, and the stability of our countryside, both in Shropshire and throughout the country. If the Minister spoke to Mr. Hughes, he would say that he feels as frustrated as I do at the lack of action by the Government on this matter.

I would like to make a point on behalf of my hon. Friend the Member for Wantage (Mr. Vaizey), who is not able to be here because of the arrival of his baby girl, on which I congratulate him. He has asked me to say that he has been fighting hard for his constituents Daphne and Pat Saunders and their son, Miles. The Saunders own an organic farm near Faringdon, which was one of the first organic farms in the country. Last year, many of their pedigree cattle were culled after testing positive under the new test. Quite apart from the fact that many more cattle were culled than was necessary, the further huge injustice is that the compensation that they have received has been so low. They have lost top-grade pedigree cattle but they have been compensated for ordinary cattle. As my hon. Friend put it to me:

"It is like seeing your Ferrari go into the crusher and only getting compensation for a Skoda."

The Government have promised to look at the compensation scheme, but nothing has happened. I would not use quite the same phrase as my hon. Friend did, but he is far more extrovert and colourful than I am. None the less, he makes a very important point: certain cattle—high pedigree cattle—are being slaughtered, but farmers are receiving compensation for ordinary cattle. I would very much like the Minister to respond to that point as well.

I would like to say just one last thing, because I want to give the Minister as much time as possible to answer the questions that I have put to her. In my estimation, the long-term success of a Government stems from their ability and determination to help all sections of society, no matter how distant they are from their immediate priorities. We hear very little from the Labour Government about their priorities for farmers and the countryside. There is a great deal of talk about the inner cities, education and the national health service, which are all very important issues. However, I,

[Daniel Kawczynski]

for one, feel very passionately about agriculture, because I represent a very agricultural constituency. It frustrates me greatly that the Government spend so little time talking about the huge damage—the crisis—that farming communities such as those in the Shrewsbury area are facing.

I want to look the Minister in the eyes and say to her that I met Chris Balmer, the farmer from Snailbeach I mentioned earlier, when I had to intervene on his behalf to get his single farm payments on no less than seven occasions last year, and one of those occasions was the first time that I have seen a grown man cry, because of the situation that he has been put in with bovine TB. He is one of the most honourable people that I have ever come across. He works very hard to make a living and shows immense fortitude and courage, no matter what is thrown at him. I want the Minister to assure me that Mr. Balmer will receive his payments on time next year and, more importantly, that she is going to do something that shows that she really understands the terrible suffering of my community, which is so dependent on the vibrancy of the agricultural sector. Furthermore, I want her to assure me that she will take on board the recommendations of the Environment, Food and Rural Affairs Committee and use her many talents and skills to convince the Treasury that the time has come for the extra investment that is needed to sort out bovine TB in this country once and for all, so that we can save the hundreds of millions of pounds that we will otherwise have to spend if the crisis is not dealt with.

12.44 pm

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Joan Ruddock): First of all, I want to apologise for the fact that the Under-Secretary of State for Environment, Food and Rural Affairs, my hon. Friend the Member for Chatham and Aylesford (Jonathan Shaw), who has the topic of bovine TB in his brief, is unable to be here today and that I am therefore addressing hon. Members instead of him.

I congratulate the hon. Member for Shrewsbury and Atcham (Daniel Kawczynski) on securing this debate on what is clearly a very important matter. I also congratulate his hon. Friends the Members for North Wiltshire (Mr. Gray) and for Cotswold (Mr. Clifton-Brown) on their interventions.

Bovine TB is a very difficult issue. As the hon. Member for Shrewsbury and Atcham says, it is ever present in the minds of farmers and vets, but I must tell him that it is also ever present in the minds of Ministers. It is also never far from the headlines. The hon. Gentleman has today described the terrible suffering, as he put it, of some of his constituents. I say to him that we recognise the difficulties, stress and financial hardship that individual farmers have faced and still face as a result of bovine TB. My right hon. Friend the Secretary of State for Environment, Food and Rural Affairs recently held meetings with farmers, wildlife and conservation groups and vets to ensure that he understands the views of all those who are affected in one way or another by bovine TB.

The hon. Gentleman said that we have spent too little time on bovine TB, but I must tell him that, sadly, because of the raft of animal diseases that have affected this country in the past year, a huge amount of time has been spent and many visits have been made by my colleagues to farms across the country. I may be an "inner-city" Member, as I represent the constituency of Lewisham, Deptford, but I was the first person to bring the Organic Food and Farming Targets Bill to this House, so I think that he should realise that I have some personal interest, if not a constituency interest, in agricultural issues.

The hon. Gentleman charged the Government with a lack of action on bovine TB. I am delighted to have the opportunity to rebut that charge absolutely. Not only do we recognise that the incidence of the disease is unacceptably high, but we recognise that it is particularly high in areas such as those represented by the hon. Members here today. As the hon. Gentleman said, Shropshire has seen a rise in the number of animals slaughtered because of bovine TB from 45 to 915 and is therefore a severe case in point. However, I remind the House that 91 per cent. of GB cattle herds are TB-free. We must remember that statistic when it is suggested that bovine TB is a scourge that is affecting the whole of the farming community. Bovine TB is definitively not affecting the whole of the farming community. That is why we have the strategic framework for the sustainable control of TB, why we emphasise that we should keep the clean areas clean and why we have introduced measures to help us to achieve that aim.

Let me describe some of those measures. We have spent more than £110 million on TB research in the past 10 years and about £8.5 million in the last financial year alone. We have spent about £17.8 million over the last 10 years on vaccine research. Since the 1950s, there has been in place an extensive system of TB testing and surveillance. Last year, the Government paid for 5.9 million tests on 51,000 cattle herds in Britain. We have also introduced new cattle controls, which are helping to prevent new cases of the disease. Between March 2006 and January 2008, there was pre-movement testing of cattle more than 42 days old moving out of high-risk herds, which detected 664 reactors in 363 herds in England. Those reactors might otherwise have spread disease within buyers' herds.

We have also introduced the gamma interferon test, which is being used to improve the sensitivity of the testing regime that has been in place for many years. The gamma interferon test identifies animals that are missed by the skin test and it is part of our efforts to clean up disease in herds more quickly. It is also designed to prevent the disease becoming established in otherwise clean areas. 3,590 animals of 37,604 animals that were sampled between October 2006 and the end of January 2008 tested positive. Most of those animals were not being identified through the standard testing approach. Although the hon. Gentleman accuses the Government of taking little action, it is obvious that we are taking new actions and getting new results that are extremely important.

The number of reactors identified by pre-movement and gamma interferon tests shows the worth of these tests, and we are grateful to the farming community for the commitment and responsibility that it has shown in relation to the TB testing programme. We have worked

hard with many stakeholders, including the Wildlife Trusts group, which the hon. Gentleman mentioned, to raise awareness about the simple biosecurity measures that can be employed to keep cattle and badgers apart.

The hon. Gentleman asked about compensation, particularly in relation to constituents who are organic farmers. There is extensive evidence of significant overvaluation under the previous scheme, which used individual valuations rather than the table valuations used today. The Government must be conscious of the need to protect the taxpayer as well as the farmer. The hon. Gentleman's party usually trumpets the protection of the taxpayer, so perhaps he should bear that in mind. We have not ruled out changing the current compensation system, but any changes would have to be justified and to take into account the needs and protection of all the parties concerned, and that will always include the taxpayer. We are confident that table valuations generally provide a fair balance between the costs that taxpayers and farmers are expected to carry. That is not a new idea; it is used in other parts of the world where TB affects cattle, and it has been used in Britain in the past.

The role that culling badgers could play in tackling TB has been a matter of continuous debate since the 1970s, and the issue is undoubtedly complex and controversial. The Independent Scientific Group on Cattle TB showed in its report, which took 10 years to complete, that there is a cycle of disease between cattle and badgers. It also concluded that culling badgers is unlikely to make a significant contribution to tackling the disease. Indeed, the study showed that there was a risk that it might make the situation worse. We must have regard to that report.

Mr. Gray: That was the report's conclusion, but it was drawn up within the constraints set by the Government and it involved a very small cull. How does the Minister explain the fact that the Government's chief scientific adviser, Sir David King, overturned that report and said that there was a place for culling badgers?

Joan Ruddock: I was about to say that we referred the matter to the Government's chief scientific adviser, who then expressed his view. I wanted to put it on the record that that work took 10 years to complete, and that we cannot simply set it aside. We have not yet made a decision on culling. We must make a sensible and informed decision, and it must be the right decision rather than the quick one that the hon. Gentleman would have me make.

Mr. Gray: After 10 years?

Joan Ruddock: No, the study took 10 years, but I assure the hon. Gentleman that there is no question of the decision taking that long.

We have the report of the Independent Scientific Group on Cattle TB following those 10 years of research, and we have the assessment of the evidence on badger culling provided by the former chief scientific adviser, Sir David King. As the hon. Member for Shrewsbury and Atcham said, we also have the report of the Environment, Food and Rural Affairs Committee following its inquiry on the issue. He quoted the Select Committee, which did not make any outright damning criticism of the Government and their actions. It produced an extremely considered report and made many important points, some of which he referred to. He said that there is no simple solution and that a multifaceted approach must be adopted. That underpins what the Government are doing: the issue is multifaceted and we acknowledge that there is no simple solution. We are trying to work across several fronts to tackle this serious problem. That the Badger Trust and the National Farmers Union both applauded the report is probably unique in the experience of those who have dealt with this controversial topic, and he is right to point out the significance of that.

The report made recommendations on frequent testing, biosecurity, work on vaccines and the consideration of a limited cull. All those recommendations are either already being pursued by the Government or are under consideration. As the hon. Gentleman is undoubtedly aware, it is not appropriate for a Minister to respond to that report in this debate. There is a proper procedure to follow in which the Government consider in depth what the report says. We will make an appropriate written response in the allotted time.

Daniel Kawczynski: On culling, I appreciate that there will have to be a detailed analysis of the report before feedback is given, but can the Minister give us any idea of how long the process will take? She said that it will not take 10 years to decide whether a limited cull is appropriate, but can she give me any comfort by letting me know how long it is likely to take?

Joan Ruddock: I can only repeat that it will take as long as it takes to get the right decision. That is crucial, as the decision must be the right one. This is a matter of deep concern. Ministers appreciate the issues and the need for a decision. The decision will be taken, and the report will be responded to appropriately.

Mr. Gray: When?

Joan Ruddock: I am not going to guess when. I am not one of the Ministers studying the report, so that would be inappropriate.

There will be three key aspects to the Secretary of State's decision: what impact the proposed measure would have on the disease, what the science tells us and how practical the solution is. We must also consider public acceptability. We need to proceed carefully. We have already given some information in response to questions that have been asked. For example, we have been asked how culling would be carried out, if it were used. We have ruled out gassing and snaring—it is important to put that on the record. Research on methods of culling will be published when the reports have been peer reviewed and when we have decided whether badger culling should take place.

The hon. Gentleman asked about the TB vaccine and whether its use should continue. I assure him that work on that continues, although unfortunately it is some years off it being a final solution. We think that an oral badger vaccine will be ready by 2014 and that an injectable badger vaccine will be ready by 2010, although we would not expect that to be widely used.

[Joan Ruddock]

The best estimate for cattle vaccines is 2015. The test must allow differentiation of vaccinated cattle and those infected with disease.

Our ultimate aim has to be the eradication of bovine TB, but that cannot be a realistic short-term goal, given the incidence of the disease. Our first priority is therefore to focus on the GB strategic framework on TB to control the disease and prevent further spread. Once the disease is under control—that must be our hope for the future—the aim will become eradication. TB is a scourge; it has caused enormous hardship and places a huge financial burden on both the farming community and the taxpayer. We share the hon. Gentleman's desire to end the problem and to increase the comfort of his farming community.

HIV/AIDS (Developing Countries)

1 pm

Dr. Gavin Strang (Edinburgh, East) (Lab): I believe that hon. Members on both sides of the House will agree that the Government have a good record on promoting the interests of the developing world. Under the comprehensive spending review settlement published in October, the aid budget will have increased by more than three times in real terms between 1997 and 2010. In that time, the UK will have more than doubled the proportion of gross national income spent on overseas development assistance, and we are on track to meet the United Nations gold standard of 0.7 per cent. by 2013. Hon. Members will be aware that what I call the gold standard has existed for 30-odd years. When Labour was in power before, UK expenditure was lifted virtually right up to 0.7 per cent., but, of course, it fell and fell under the Conservatives. To our credit, we are raising it again to the 0.7 per cent. target, which the whole House should support.

However, all the evidence shows that the fight against HIV and AIDS is crucial to the prospects for any significant economic advance in the developing world. Unlike many of the diseases that claim lives in our country, AIDS is largely a young person's disease. That means that it has robbed developing countries of many of the people to whom we would normally look to contribute to the economy and to raise living standards. As the World Health Organisation pointed out in 1999, in the worst affected countries of southern Africa, the development gains of the past 50 years are being reversed by the epidemic. We will not see advancement of any significance in those countries until serious progress is made to end the AIDS epidemic in them.

The latest estimate by UNAIDS is that 33 million people now live with HIV, including 2.5 million children. Two and a half million people were newly infected last year, and 2.1 million people died, including 290,000 children. The developing world is hardest hit: 68 per cent. of the new infections and 76 per cent. of the deaths last year were in sub-Saharan Africa, where AIDS is the primary cause of death. Estimated HIV prevalence has more than doubled in eastern Europe and central Asia since 2001, and the declining trends in some countries such as Burundi are reversing.

In the past eight years, the international community has made a series of commitments to address HIV/AIDS. In September 2000, Heads of State and Government at the UN millennium summit issued the millennium declaration—a powerful statement of pledges to address the major challenges facing humanity. Under its provisions, the international community is committed to halting and beginning to reverse the spread of HIV/AIDS by 2015.

Further progress was made in 2005, and the UK Government can take pride in the Gleneagles commitment by G8 Governments to ensuring universal access to treatment by 2010. Many hon. Members will remember the Gleneagles summit. I well remember the run-up to it, all the work that was done by non-governmental organisations to build it up, and the huge march and demonstration in Edinburgh—colossal!—as part of the build-up to what was achieved by our Government. A

climate was created at the summit for getting some real decisions on targets. That pledge was broadened at the UN world summit later that year and became an international commitment to ensure, as nearly as possible, universal access to prevention, treatment, care and support by 2010.

As the world has belatedly come round to the urgency of the HIV/AIDS crisis, there has been some progress on the ground. In 2001, the world spent just $1.6 billion on fighting AIDS. In 2007, total available resources reached $10 billion. The number of people in low and middle-income countries receiving antiretroviral treatment increased fivefold between 2003 and 2006, reaching 2 million by the end of that year. There has been a reduction in HIV-associated deaths, which is thought to be partly attributable to the recent improvement in access to treatment. In addition, preliminary data suggest that there has been a reduction in risky sexual behaviour in a number of countries including Cameroon, Haiti and Kenya.

As I have outlined, the international community has geared up its response to HIV/AIDS in terms of both political and financial commitment, but the global effort is still nowhere near the scale that is needed if we are to get to grips with the AIDS crisis. We are still falling far behind on treatment and prevention. Despite recent increases, the WHO estimated last April that only 28 per cent. of people needing antiretrovirals get them and only 11 per cent. of HIV-positive pregnant women in Africa are getting drugs to prevent transmission to their unborn children. My hon. Friend the Minister will be well aware of the efficacy of that treatment, which is available in hospitals.

The effort to increase access to treatment has not been matched in the field of prevention. Just one person in five has access to basic prevention services, and surveys indicate that just 12 per cent. of men and 10 per cent. of women in sub-Saharan Africa had been tested for HIV and received the results. Moreover, all those efforts continue to be hampered by stigma and discrimination.

Hilary Armstrong (North-West Durham) (Lab): I am concerned that one of the consequences of the way in which HIV/AIDS has spread, particularly in sub-Saharan Africa, is that 75 per cent. of the young people who live with the disease in that area are female. The effect of HIV/AIDS on women and girls is absolutely phenomenal. That is why I am proud to be associated with Voluntary Service Overseas and its campaign with ActionAid this year to highlight the effect of HIV/AIDS on women. It says to Governments that when they intervene, they need to support and empower women in communities, because those women will then be able to take steps to stop others getting HIV/AIDS. I say that because I know that many girls are, for example, frightened to ask partners to use condoms because of violence, rape and so on, and the whole situation is being made worse.

Dr. Strang: I am grateful for my right hon. Friend's intervention. I shall touch on the gender issue, although not as much as I would like. I am grateful to her for raising that important issue. That is where we are: women and, of course, children are involved. I am pleased that she was able to put that point on the record.

It is clear that a far greater acceleration of financing is required. UNAIDS estimates that even last year's resources were more than $8 billion short of what should have been spent if the world were on track to meet its commitments. Even if donor countries continue to increase spending at the current pace, the funding gap will widen, we will not achieve universal access by 2010, and our 2015 commitments will be jeopardised.

I am sure that the Minister will agree that we should not be starting from this point. Had the world responded to the emerging AIDS crisis on the scale required 20 years or so ago, the scale of today's problem and the cost of the necessary action to address it would be far smaller. We face the same choice today. For every patient who began antiretroviral therapy in 2006, six other individuals became infected with HIV. Failure to act on a proper scale now will mean still greater expense in the decades to come.

To meet the goal of universal access around the globe by 2010, UNAIDS estimates that we must spend some $92 billion over the next three years, more than quadrupling the annual funding available to more than $42 billion by 2010. Obviously, that makes assumptions about the build-up in inflation during the time needed to achieve that, but those are the sums.

My hon. Friend will be aware of the Stop AIDS Campaign, which brings together many of the United Kingdom's leading groups in this field. Stop AIDS has calculated the UK's fair share of that $92 billion, in line with our relative wealth and population. On that basis, it suggests that its fair share of the world's HIV/AIDS expenditure is just over $5 billion, or £2.5 billion sterling, over the next three years. We should seek to achieve that target.

The establishment of the Global Fund to Fight AIDS, Tuberculosis and Malaria in 2001 was a landmark in the fight against HIV and AIDS. Resources available to the global fund are now considerably better. When I initiated a debate in November 2004, there was real concern that the fund could become an irrelevance. The eighth round of proposals, which was launched this month, is well financed compared to previous rounds, and the global fund already has $9.7 billion in pledges for the three years from 2008 to 2010. However, my hon. Friend will be aware that the fund needs between $6 billion and $8 billion every year to meet its objectives, and the UK Government back that figure, for which we are grateful. There is still a shortfall of between $5 billion and $8 billion for the 2008-10 period. I hope that the Government will continue to push for global fund resources to reach the levels that we need to see if the organisation is to fulfil its remit. We are all agreed on that. The global fund is working well and bringing in more resources, and we must do all that we can in terms of cash and by using the influence that my hon. Friend, my right hon. Friend the Secretary of State for International Development and others bring to bear, to make the global fund one of the great landmarks in the history of this century.

As I have mentioned, progress has been made in getting treatment to people who need it. A significant reason for that is the fall in the price of first-line drugs from around $10,000 per patient per year to $130. However, still more people are needing second and third-line therapies as their first-line treatments cease

[Dr. Strang]

to be effective. Patenting restrictions are tighter on these newer drugs. The WHO has found that the prices paid for such treatments are often unaffordably high in countries lacking generic alternatives. As my hon. Friend's ministerial colleague, the Under-Secretary of State for International Development, my hon. Friend the hon. Member for Harrow, West (Mr. Thomas) advised last year, second-line treatments can cost as much as 10 times more than other treatments.

We know that the Government support the right of developing countries to use the flexibilities in respect of trade-related aspects of intellectual property rights to ensure affordable access to drugs, including the use of compulsory licensing provisions. In addition, they have expressed interest in patent pooling. I would be grateful if the Minister gave an indication of the progress that has been made. Clearly, we will be looking to the new strategy on HIV/AIDS to bring forward action to help developing countries to make affordable medicines available.

Of course, the affordability of drugs is only part of the picture. Efforts to secure universal access by 2010 can succeed only where there is a supporting infrastructure accessible to people in need. As my hon. Friend the Minister knows, average health spending in sub-Saharan Africa is just £5 per person per year—less than a third of the WHO's recommended minimum of £17.

As the Under-Secretary of State, my hon. Friend the Member for Harrow, West told the House, there is an estimated shortage of more than 4 million health care workers worldwide. Last May, Médecins Sans Frontières reported that the rate at which people could start treatment was slowing and treatment waiting lists were growing due to a shortage of health care workers in southern Africa. In this context, my hon. Friend who is responding to the debate may want to mention the UK's involvement in the new international health partnership, which aims to improve co-ordination among donors to deliver improved health systems. I know that he takes a considerable interest in that and recognises what a challenge it is for our Government and his Department.

In many countries, we look to the state to provide the necessary infrastructure, through state-run services such as health and education. However, we should not lose sight of the fact that it is not just the state that has an important role to play. The voluntary sector, including faith groups, does vital work. It is also in the interests of the private sector, such as mining companies in South Africa, to ensure that their work force, with their families, have access to the prevention and treatment services that they need. Every effort should be made to encourage those companies—and some of those big, major companies have British head offices—to do all they can for their employees and their employees' families, and for the wider population.

On the point raised by my right hon. Friend the Member for North-West Durham (Hilary Armstrong), gender inequalities continue to leave women and girls in developing countries disproportionately vulnerable to HIV and AIDS. The Department for International Development is recognised for its groundbreaking work on HIV and gender. I understand that a commitment has been made to put women's rights at the heart of the new strategy. All hon. Members welcome and support that. My hon. Friend the Minister will know that organisations working in this field will be keen to see that commitment reflected in a range of targets and indicators in the strategy. Both he and my right hon. Friend have experience in this area and I do not doubt their determination and the importance that they attach to making progress for women and children. We know about the gender issue. My hon. Friend also knows that there is concern about the position of children. The availability of paediatric treatment remains low.

The international community has some notable opportunities in the coming months to accelerate efforts to tackle HIV/AIDS. My hon. Friend will be aware of meetings in Japan of G8 Development Ministers and Finance Ministers and that the G8 summit will be held in July. As I said, it was the G8 at Gleneagles that initiated the commitment to universal access by 2010. That is worth repeating: universal access by 2010. With just two years to go until 2010, HIV/AIDS must not be allowed to lose its priority. I hope that he will do all he can to ensure that delivery of universal access is again on the agenda and that we secure concrete, timed pledges from the G8.

In addition, the United Nations will be conducting a comprehensive review of the progress achieved in realising the 2001 declaration of commitment and the 2006 political declaration. To undertake that review, the UN will hold a high-level meeting on 10 and 11 June. Again, we look to my hon. Friend and his colleagues to secure from their international counterparts the political and financial commitment necessary to meet their pledge of universal access by 2010.

I am very grateful to have had the opportunity to raise this important issue. Last May, when I initiated a debate on HIV/AIDS in the developing world, we were anticipating the publication of the interim evaluation of DFID's "Taking Action" strategy. Now we await the publication of the Department's new strategy. It is clear that the world needs to amplify greatly its efforts to tackle the global HIV/AIDS crisis. I look forward to hearing what my hon. Friend has to say.

1.19 pm

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): I shall be extremely brief, because I want the Minister to have a lot of time to reply. I shall speak perhaps for one minute, just to reinforce what the right hon. Member for Edinburgh, East (Dr. Strang) has said. I welcome his securing this debate; he has done the House a service in doing so. Along with the other killer diseases of polio, tuberculosis and malaria, HIV/AIDS is an important matter in which the global fund has played a huge part. The British Government, through DFID, have done an enormously good job of work.

I should like Minister to comment on just one or two other things. Does he agree that intermediate targets should be set, so that we begin to look as though we will meet the universal access target by 2010? Does he also agree that, as the right hon. Gentleman said, some countries do far better than others in tackling AIDS? For example, Thailand has a much better record than Swaziland. The solution must be country-owned if it is to be most effective.

Does the Minister agree that the rate of maternal transmission of HIV/AIDS from mother to child in poor countries is shocking, given that it is just 2 per cent. in the richer western countries? Will he comment on what the Department for International Development is doing to increase research and development, because we must find more effective treatments for HIV/AIDS? Does he also agree that we should measure outcomes rather than solely the amount of money spent? Will he continually evaluate the effectiveness of DFID's programmes to find out what works and what does not, and shift money towards those programmes?

I was greatly honoured to be present when the Secretary of State for International Development made a speech on College green on world AIDS day. One or two representatives of the NGOs present told me that, given the changes at DFID's headquarters, they were concerned that it would not be able to operate its world health programme effectively. Will the Minister assure hon. Members today that those changes will be able to deliver that programme?

1.21 pm

The Parliamentary Under-Secretary of State for International Development (Mr. Shahid Malik): It is a pleasure to engage in this debate under your stewardship, Mr. Pope.

I am grateful to my right hon. Friend the Member for Edinburgh, East (Dr. Strang), who has an admirable track record of raising the issue of HIV/AIDS in the developing world, for introducing this important issue and for his concern about the impact of HIV/AIDS in developing countries.

My right hon. Friend will be aware that UNAIDS, the joint UN programme on HIV/AIDS, recently announced that global HIV prevalence—the percentage of people living with HIV—has levelled off and that the number of new infections has fallen. However, we must not be complacent. Globally, an estimated 33.2 million people are living with HIV. Every day, more than 6,800, people are newly infected with HIV. For each person who starts on a much-needed course of treatment for AIDS, another three or four people are newly infected with HIV. That is the size of the challenge, and there is much more to do before we can say that we have tackled AIDS.

Tackling the needs and rights of children affected by AIDS remains at the heart of DFID's response. DFID is committed to spending £150 million to meet the needs of such children over three years to 2008. Achievements so far include work in 13 African countries with UNICEF to support national plans for orphans and vulnerable children. Those plans will ensure that vulnerable children have access to basic services and are protected from abuse.

The UK has played a leading role in the adoption of the universal access targets, both at the G8 Gleneagles summit and in subsequent years. Achieving universal access to prevention, treatment, care and support will be a huge challenge, but we remain committed to that target. In the last few years, unprecedented amounts of money have been pledged to finance programmes to tackle HIV and AIDS. The UK is now the second largest Government funder for AIDS programmes, and we have called upon other funding agencies to move forward and to turn funding pledges into reality. I know that my right hon. Friend subscribes to that sentiment.

My right hon. Friend the Member for North-West Durham (Hilary Armstrong) made a powerful intervention about the feminisation of the AIDS epidemic and the inherent inequality that arises from that. She is aware that there is increasing concern about that feminisation, especially in sub-Saharan Africa, where women account for 61 per cent. of all adults living with HIV and young women aged 15 to 24 are more than three times more likely to be infected than young men. That speaks for itself. There are many reasons for that, but a key issue is gender inequality. In many cultures, many young women face difficulties in negotiating whether to have sex. They have limited control of the circumstances in which they have sex, and they lack the means to protect themselves from infection.

Gender violence is another major issue to which my right hon. Friends alluded. For example, one in six women in rural Ethiopia report that their first sexual experience was coerced. That is why the UK Government have a strong focus on promoting sexual and reproductive health and rights, as an integral part of programmes to prevent HIV. In countries where the epidemic is concentrated among known high-risk groups, it is vital to ensure that prevention and treatment services are accessible to those who most need them.

Sex workers, injecting drug users, men who have sex with men, and prisoners cannot be reached through normal health services, because they are excluded or feel uncomfortable in such settings. The Government have played a leading role in developing innovative ways to provide services for those groups and helped to design programmes to reduce stigma and discrimination. That is important, difficult and sometimes controversial work, but we must support our partners in developing those innovative services if they are to have an impact on the epidemic in their countries.

When HIV and AIDS funding is provided in a way that actively strengthens health systems, there are benefits all round, particularly because long-term and sustainable AIDS programmes need a functioning and effective health service. However, providing AIDS funding in an entirely separate or vertical way can undermine the health system and even take away scarce health personnel from other important areas of work. We must work with all our partners to develop joined-up approaches that effectively build up the health service's capacity.

Two initiatives demonstrate the importance of supporting countries to improve their health systems. In Malawi, DFID has committed some £100 million to support the health sector over a six-year period to 2011. That will enable better HIV and AIDS services to be delivered, and the aim is to double the number of nurses and triple the number of doctors that Malawi is able to recruit and, importantly, retain.

My right hon. Friend the Member for Edinburgh, East mentioned antiretroviral therapy. In Malawi in 2003, some 3,000 individuals had started on that treatment, and some four to five years later, 130,000 people have started on it. That indicates what can be done if there is vision and a real commitment to ensuring that things happen.

[Mr. Shahid Malik]

The international health partnership was also mentioned. It was launched recently, and only today, I met the High Commissioner of Nepal who told me that user fees in health services in Nepal have been lifted as part of that partnership. Some eight countries are engaged in the partnership, which was launched by the Prime Minister in September and is a joint initiative with eight major funding agencies in the health sector.

In the time available, I shall not be able to get through all that I want to say. We will encourage programmes that work collaboratively in line with donor harmonisation principles and focus on the needs of those who are excluded and vulnerable, especially the high-risk groups. It is important to support the work of multilateral agencies and particularly a joined-up approach by United Nations agencies.

The UK Government have already pledged £1 billion to the Global Fund to Fight AIDS, Tuberculosis and Malaria from 2008 to 2015. My right hon. Friend raised that issue, and at the replenishment round for the global fund conference in September 2007, we raised more than $6 billion, and a further pledge of $9 billion allowed the global fund board to fund all projects deemed suitable for funding. New spending will be required, but we must all make greater efforts to make existing money work more effectively. We must also encourage those who have pledged funding for HIV and AIDS, but not yet moved forward, to allocate that funding.

This has been an important opportunity to discuss these issues. A number of questions remain outstanding, and I will write to my right hon. Friends and the hon. Member for Cotswold (Mr. Clifton-Brown) about them. I am grateful to my right hon. Friend the Member for Edinburgh, East for raising the matter. It is a timely debate, and I fear that it will remain timely for the foreseeable future.

Post Office Closures (Highlands and Islands)

1.30 pm

Danny Alexander (Inverness, Nairn, Badenoch and Strathspey) (LD): I am grateful to the Speaker for selecting this subject for debate, particularly because it is only a week since the Post Office announced its final proposals for post office closures in the highland area, under the euphemistically entitled "network change" programme. Across the highlands as a whole, the Post Office plans to close 28 post office branches, 11 of which will be replaced with new outreach services. That means a net loss of 17 branches, although obviously in many cases outreach services will result in a significant reduction in hours. Of course, there will also be additional closures in the constituency of my hon. Friend the Member for Argyll and Bute (Mr. Reid).

I wish to draw attention to three points. First, there were flaws in the consultation process. Secondly, there is a matter on which I still have not had a clear answer: the status of branches that were temporarily closed and ignored in the consultation process, which is effectively additional closures by stealth. Thirdly, what are the Government's plans for the future of the network? How will they ensure that we are not back in four or five years' time debating yet another round of closures?

In my constituency, three post offices will be completely closed, and five will be closed and replaced with more limited outreach services. In addition, two areas that had post offices that were temporarily closed will now have limited outreach services. Given the strong public feeling in the communities involved, there are a number of particularly unfortunate examples in my constituency. I wish to draw attention to the fate of the Harbour street branch in Nairn, which is a very well used post office that serves a distinct part of the Nairn community—the harbour and Fishertown area. It also serves the part of Nairn most likely to be exposed to future growth. As my right hon. and hon. Friends who represent constituencies in the highlands and islands will know, the Inverness-Nairn corridor is likely to experience significant population growth. Over the next few years, the town of Nairn itself is also likely to experience significant population growth, as has happened in recent years. That forecast for growth was not taken into account either in relation to the closure of the branch in Nairn or in relation to the other branches in the Inverness-Nairn corridor affected by the programme—Farr, Croy, Cawdor, Ardersier and Balloch. Branches in all of those places have been either downgraded or closed. In the case of Balloch, to which I will return, there has been a failure to reopen the branch.

To the north of Inverness in Kirkhill there is a strong desire in the community to retain the existing post office. The Post Office has proposed that an outreach service should operate in that community for six hours a week. Strong representations were made by members of the community about the post office in Kirkhill, but again no change was made to the proposal as a result of the consultation. Anyone who has read the Post Office Ltd network change programme area plan decision booklet for the highlands and islands—I have a copy here if anyone is interested—will know that the

public consultation on the initial closure programme in the highlands had 1,900 responses. Despite the consultation being conducted in the depths of winter in January and February, which many in the highlands would regard as the least propitious time for a consultation, there was a significant response from communities across the area.

In addition, several hundred people took to the streets of Nairn to protest against the closure of the Harbour street branch in a demonstration organised by the local community council. Yet the only decision changed in the programme was that relating the Pulteneytown branch in Wick. I congratulate my hon. Friend the Member for Caithness, Sutherland and Easter Ross (John Thurso) on his work on that and congratulate the community on having successfully saved its post office. However, there is no difference between the strength of feeling and power of representation made in that community and that made in the other communities I have mentioned. I am delighted that that branch has been saved; but the closures that will go ahead could have been reversed if the same account had been taken of the views of local communities.

In the city of Inverness, innovative ideas for extending the outreach model to an urban setting were made to replace the proposed closure of the Kingsmills branch in the Crown area. Again, the fact that outreach was proposed is mentioned in the booklet, but no reason is given by the Post Office for why it was rejected. I would be interested to hear whether the Minister thinks that the idea of the outreach model, which has largely been confined to rural areas, could be used in an urban setting if appropriate. Although geographically that community is within a mile or so of the city centre, there is a steep hill people must go up to get to the city centre and back, which is where people would be expected to go instead. Many elderly people live in the vicinity of that post office and feel strongly that it should be retained. The ideas put forward were not even responded to.

A concern expressed strongly by constituents who made representations is whether there was any point to the consultation. Except in the case of Wick, was it a real consultation? Was there a point to the huge effort that people went to not just to make representations, but to think through alternatives for the communities affected? What was the point in people doing all that when to all intents and purposes those views have been ignored? That also relates to a separate point about Postwatch because if it wished to it could have conducted a further review of some of the decisions. Given that 1,900 people in the highlands responded to the consultation process, I would have hoped that Postwatch at least sought to review some parts of the decision on the basis of the strength of feeling and the alternative ideas proposed. Postwatch will be abolished in October and replaced by a larger regulator that will cover a range of issues. At this stage, perhaps members of Postwatch have more of an eye to the new body than to carrying out their responsibilities to the full.

The experience in the highlands serves only to illustrate the entirely arbitrary nature of the consultation process under the closure programme. The Government picked the figure of 2,500 closures out of the air. It seems to have been based not on an assessment of the needs of communities across the country, but on financial demands from the Treasury that Post Office Ltd is then forced to meet. To that extent, one must have some sympathy for the process that the Post Office is going through as it is forced to ignore many of the strongly held views and needs at community level. It is a disgraceful situation, for which Ministers will have to take the blame in the end.

The process in the highlands raises a major new issue that has not been debated and is of wider significance. In my constituency, over the 12 months before the closure programme started, five post offices were subjected to temporary closures: those in Tomatin and Laggan, which because of the postcode criterion will have outreach services, and those in Cromdale, Glenurquhart, and Balloch. A large number of similar cases exist in the constituency of my right hon. Friend the Member for Ross, Skye and Lochaber (Mr. Kennedy). Four of the temporary closures were outstanding at the beginning of the consultation period. In most cases, those branches had not been through the permanent closure procedure as they should have and were not included in the consultation process. Effectively, those branches have been airbrushed from history.

When I first raised that matter, the confused responses from both the Post Office and Postwatch would have been laughable had the issue not been so serious. First, a spokesman for the Post Office told *The Press and Journal*:

"It is not true that these three branches were closed without public consultation. Each was subject to a public consultation when they closed temporarily and"

this is the crucial point—

"also at the end of the 12-month period, before being designated as permanently closed."

As someone who should have been consulted; I was able to explain that that had not happened. I also provided evidence that no consultation on a permanent closure had taken place in those cases. Community councils had also not received any consultation on the permanent closure. To clarify the matter for the House, there are supposed to be two stages—temporary and permanent closure—both of which are consulted on separately.

Next I was told that perhaps all the procedures had not been taken into account and that any representations would be considered in the consultation. I have read the report, and there is no mention of any of the branches to which I referred, despite a large number of public submissions regarding them being received during the public consultation process. My right hon. Friend and I took up the matter with Postwatch. We were told—this was the third line in a matter of weeks—that Post Office Ltd

"agreed a Memorandum of Understanding with Postwatch which governs the process for shaping the Network Change Programme including closures...The approach agreed with Postwatch at the beginning of the Programme to reflect the reality of the situation was that the starting point should be the 'open and trading' network as it stood at the end of March 2007."

The reality of the situation was quite different. The affected communities had been told that Post Office Ltd was actively seeking new people to run those post offices and were given no notification of the change in policy. The matter was taken up with Post Office Ltd, Postwatch and the Government and all three replied in identical terms, suggesting that a formal agreement was

[Danny Alexander]

made behind closed doors to remove all temporarily closed branches at an arbitrary date in 2007 without telling the affected communities and without any regard to the assurances that had been made to those communities. Will the Minister confirm whether that was the case?

There is more than a suggestion of collusion in the fact that the Post Office's supposedly independent regulator and the Government now use the same words to describe a position that had not previously been made public. Neither of them has produced any evidence to suggest that the agreement referred to was reached or publicised at the time. It was certainly not mentioned in any of the debates that we had in the House. That is a clear breach of the Post Office code of practice. Parliament was never told that more than 2,500 branches were to be closed under the heading of the network change programme.

In some correspondence, Post Office Ltd has suggested that the code of practice no longer applies. However, it seems clear that the code of practice does apply. Perhaps the Minister can also confirm that. It is referred to on page 41 of the Government's consultation document. Thanks to this agreement to close extra post offices, seemingly by stealth, an extra three closures have taken place in my constituency and an extra four in my right hon. Friend's constituency.

I do not know what the position is across the country. It seems reasonable to conclude that hundreds of other communities may well be in the same position. I cannot give the exact figure. I have asked Post Office Ltd for the figure, and it says that it does not hold information on temporary closures. It has given me some figures—although it did not explain how they were calculated—that suggested that about 250 branches had been closed between March 2006 and September 2007. However, it is not clear whether those relate to temporary closures or not. The way in which requests for information on this matter have been dealt with has been a model of obfuscation. A modest estimate, based on the highland experience, suggests that, in addition to the 2,500 closures, an extra 100, 200 or even up to 500 temporarily closed post offices have been airbrushed from history under this process. Clearly, we are getting a good deal more than the 2,500 closures that were proposed.

I ask the Minister to reconsider the temporary closures and instruct the Post Office to reconsider its closure programme. I specifically include those branches that have been temporarily closed on the basis that communities were given to understand that if a branch was temporarily closed, the Post Office would actively seek someone to take over that branch and continue with it. I wish to press the case strongly for the restoration of the post office in Balloch, outside Inverness. The post office is desperately needed in a growing community. The previous one closed not because of lack of interest or support from the community, but because the Somerfield supermarket, in which the post office was housed, closed. After a long delay, the premises have been taken on by another supermarket, which I understand is enthusiastic about reopening the post office. It would be truly astonishing if the closure programme forced Post Office Ltd to look that particular gift horse in the mouth. It would be a huge let down for a community that wants and needs that service. I hope that the Minister will take on board that point in relation to that particular community and undertake to go away and consider the matter further. I hope that the Post Office will reconsider its decision.

In addition to those specific points about the closure programme in the highlands, there are wider points that directly affect the highlands, including the way in which the future health of the network is to be guaranteed. I do not wish to be back here in four or five years' time having a similar debate if there is another round of closures. To prevent that from happening, the Government must set out what they will do to turn the tide in the Post Office. I am talking not about a guaranteed programme of keeping post offices open—I know what the Minister will say about that in relation to the funding that has been provided—but about extending the range of services that post offices are able to offer, such as Government and banking services. I know that the Post Office is continually trying to join the Link network to enable a greater range of banking services to be provided by post offices. The question of the Post Office card account is still unresolved. Post offices derive a great deal of business from people using them to collect their pensions, benefits and so on. Yet it is still not clear from the Department for Work and Pensions whether that new contract for the Post Office card account will even be awarded to the Post Office.

Constituents report to me changes in the practices of some commercial organisations in using post offices. For example, electricity companies use post offices for the sale of tokens for pre-payment electricity meters. That has been of some interest to the House under another guise. Yet it seems that some of those companies are withdrawing the sale of those products in some post offices, which will have an impact on the post offices' ability to be sustainable in the long term.

Post offices provide an essential outlet for the sustainability of communities. Post offices and shops go together. In rural areas especially, vulnerable groups, pensioners and people without access to transport need the post office for access to cash and to services. It is often the only way in which people in such communities can get a face-to-face service. The Government should see all those attributes as a huge opportunity. We have seen the state increasingly withdraw from the provision of face-to-face services. Post offices offer a huge opportunity for the Government to return to that way of delivering policy. I hope that the new Minister—I think that this is the first time we have debated matters relating to post offices since he took office—will have a more innovative approach to developing and supporting new services to go through post offices so that the network in the highlands and elsewhere has a sustainable future for many years to come.

1.46 pm

Mr. Alan Reid (Argyll and Bute) (LD): I congratulate my hon. Friend the Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) on securing the debate on this important subject in the highlands and islands and on presenting the case so well and thoroughly.

I want to raise a couple of points. In response to the consultation, the Government said that they wanted to encourage more community-run post offices. In my constituency a local environment group, EnviroKirn, approached the Post Office about taking over Kirn post office, which was threatened with closure. The group was given three months by the Post Office to come up with a business plan, but it has not been offered any encouragement. Three months is not long enough.

The Essex county council initiative in which councils participate and take over post offices is certainly a welcome opportunity to save more post offices. The Government should give local councils and community groups more time, encouragement and back-up when they show an interest in taking over their local post offices. I appeal to the Government to suspend the closure programme for post offices, such as the one in Kirn, when a local community group or a council is interested in taking it over, and to give time and back-up for such a takeover to be achieved. Kirn is due to close on 9 April, so I hope that the Government will move quite quickly.

Another concern that was raised by my hon. Friend is the long-term viability of post offices that have escaped the axe, particularly those in the many small communities throughout the highlands and islands. A post office at St. Catherines was temporarily closed a few weeks ago. The Post Office says that it is actively seeking someone to take it over, but in view of the revelation by my hon. Friend about other post offices throughout the highlands and islands being in a similar position for a long time, I am very concerned about the future of the post office at St. Catherines.

I ask the Minister to give us an assurance that the post offices that have escaped the axe this time will have a secure future and that they will be given enough Government business and support to ensure that they remain open in the long term.

1.49 pm

The Minister for Employment Relations and Postal Affairs (Mr. Pat McFadden): I congratulate the hon. Member for Inverness, Nairn, Badenoch and Strathspey (Danny Alexander) on securing the debate. Whatever else may come between us, he certainly has one of the most beautiful constituency names in the House, although his highland colleagues might disagree.

The hon. Gentleman said that this was the first time that we have debated the matter. It might be the first time for him, but I assure the House that it is certainly not for me. He mentioned several post offices in his constituency, and I shall try to respond. However, I start by saying, as I do frequently, that, as a Minister, I do not play a role in decisions about whether to close individual post offices. Quite rightly, that is a matter for Post Office Ltd, following a local process involving Postwatch, which is the consumer voice, MPs and other local representatives. I am sure that Post Office Ltd will have heard what the hon. Gentleman said.

The hon. Gentleman spoke about how unpopular the current process is and the concern in his constituency and others in the highlands. That is natural, and I understand it. He did not touch on why it is happening or the challenges that the Post Office faces, the extent of which we should not underestimate. It is going through the difficult process of reducing the size of the network by just under a fifth. I understand that that is an unpopular process even though, as I shall explain, we as a society use the Post Office a lot less than we did because of a number of lifestyle changes. It operates today in a technological and competitive environment very different from that which once existed.

The hon. Gentleman did not mention competition at all. To take one example, the BBC licensing contract was lost partly because a competitor bid for it and won. I am afraid that that is the environment in which the Post Office operates, and it cannot be wished away. Difficult and unpopular though the current process is, there is a context to it. The Government's response has not been to stand back and leave the network to stand or fall on its own devices. Before the Government came to power, there used to be no subsidy for the Post Office, but that is not the case today. In fact, we are in the midst of a programme of support for the Post Office that will be worth up to £1.7 billion by 2011. It contains a number of measures, including an annual subsidy of £150 million, which never existed under the previous Government and without which thousands more post offices would be under threat. There is talk of a Government-inspired closure programme, but greater Government support on behalf of the taxpayer than has ever existed should be taken into account.

We do not view the Post Office as a purely commercial network, which is why we give it such support. In fact, there are just over 14,000 branches in the network. If it were run as a purely commercial concern, the number would be about 4,000. That gives some idea of the importance of the subsidy and the number of branches that are being prevented from closing by the Government's action to support the network.

Even with such public subsidy and with other funds in that £1.7 billion to cover losses over and above what the subsidy can bear and to invest in the modernisation of the Crown network and so on, the network is not sustainable at its current size. It simply does not have the customers that it used to. Some 4 million fewer customers go through the doors of our post offices each week than just a few years ago. That has been accepted, although reluctantly, by the National Federation of SubPostmasters, whose general secretary recently said:

> "Although regrettable we believe that closures are necessary to ensure the remaining Post Offices are able to thrive in the future."

Across the country, that means a reduction of about 18 per cent. in the size of the network. Precisely because we recognise the important social and community role of post offices, however, and because we have access criteria to ensure a coherent network in both rural and urban areas, the reduction in the size of the network in the highlands is significantly smaller, at about 9 per cent. Of course, the situation is still difficult for those who are affected by the closures. I accept that, but the reduction is smaller than elsewhere in the UK. That reflects the nature of such a large, sparsely populated area with significant distances involved.

Some parts of the highlands and islands are also affected by one of the requirements of the access criteria, which the hon. Gentleman mentioned: to ensure post

[Mr. Pat McFadden]

office provision in postal districts where none previously existed. In addition, alongside the closure programme, some 500 new outreach services are being introduced, many of which were pioneered in rural Scotland. They include part-time services hosted by local shops for a set number of hours a week and mobile vans that visit particular locations at set times. In the hon. Gentleman's constituency, as he said, three of the 38 post offices are scheduled to close. There will be five new outreach services, and two new branches will be introduced.

The hon. Gentleman asked about temporary closures, closures by stealth and so on. One of the post offices that he mentioned closed in August 2006—more than a year before the programme began. As I understand it, Post Office Ltd has made significant efforts to find a sub-postmaster to run it. The hon. Gentleman will know that, following the announcement by the Secretary of State for Business, Enterprise and Regulatory Reform last May, Post Office Ltd agreed a position with Postwatch that meant that post offices temporarily closed would not be considered in the new plan unless they were about to be reopened and that those temporarily closed after March 2007 would be reviewed against the access criteria and considered on a case-by-case basis. I understand that Post Office Ltd has written to the hon. Gentleman setting out that position.

Even somewhere as sparsely populated as the highlands, after the completion of the programme, more than 99 per cent. of the population will have seen no change to their local post office or will remain within 1 mile by road of an alternative branch. The hon. Member for Argyll and Bute (Mr. Reid) talked about post offices that escape the axe, but we need to bear that figure in mind even though we accept the difficulty of the process.

I turn to some of the challenges that have led to the process. The Post Office is losing some £3.5 million a week—half a million pounds for every day that it is open. In some of the least used post offices, which might include some in the highlands, the subsidy per transaction has risen to £17. In others, some of which have fewer than 20 customers a day—those are not just a few that are used the least, but the 1,600 least used—the average subsidy is £8 a transaction. A significant subsidy helps to keep those post offices open in the smallest and most sparsely populated communities.

There have been significant lifestyle changes, such as benefits being paid directly into bank accounts. Eight out of 10 pensioners and nine out of 10 new retirees now choose that as their preferred method of payment. I suspect that those figures will not change.

The hon. Member for Inverness, Nairn, Badenoch and Strathspey asked me about the Post Office card account and its successor, and I understand how important it is to the network's future. I understand that he has tabled questions on the matter to my colleagues at the Department for Work and Pensions. He will know that there is a competitive tendering process, and tenders have to be judged against proper criteria. That is legally necessary, and I am sure that he would not want me to say anything that prejudiced the Post Office's chances of winning the contract. Perhaps he will understand if I leave it at that.

The process is difficult, and I understand the points that hon. Gentleman made. However, the highlands have been less affected than other parts of the country, precisely because of the special nature of that part of the UK. In future, we want a viable and sustainable network that is supported by the subsidies that I have mentioned.

Question put and agreed to.

Adjourned accordingly at one minute to Two o'clock.

Westminster Hall

Wednesday 19 March 2008

[MR. JIM HOOD *in the Chair*]

Neighbourhood Policing

Motion made, and Question proposed, That the sitting be now adjourned.—*[Mr. Blizzard.]*

9.30 am

Mr. David Kidney (Stafford) (Lab): Good morning, Mr. Hood. It is a pleasure to see you in the Chair, and we are privileged indeed to have you in firm but fair-minded command of our proceedings.

When I heard that I had secured the debate, I was tickled to learn—hon. Members will be able to tell that I had not planned things this way—that this is the first week of a two-week national campaign to promote neighbourhood policing and enable people to learn the names and identities of their local police officers and how to contact them. The debate has turned out to be very well timed, but that was entirely accidental.

By April, every community in England and Wales will have in place neighbourhood policing teams of police officers and police community support officers. As it happens, Staffordshire anticipated that requirement and set up its neighbourhood policing teams more than 12 months early. Such teams—whether in Staffordshire or nationally—are dedicated to working with their local communities, agreeing priorities for action and informing the public of their progress.

It should now be possible for residents everywhere to find out the identities of the members of their neighbourhood policing teams. They need only ask their local police or local council, inquire at a local library or look on the internet, including on a new national website which has the names and numbers of members of their local teams. There has been some debate about giving out the mobile phone numbers of individual police officers, but all I can say is that there has been no reticence among community police officers and PCSOs in my constituency about giving them to local residents. In Staffordshire, we are certainly interested in sharing best practice on neighbourhood policing. We want to learn from what police services elsewhere are doing well and we are happy to share our successes with them.

In his final report on the review of policing, Sir Ronnie Flanagan speaks of a vision of successful 21st-century policing. He says that its components include having

"the right people in the right places at the right times, doing the right things, in partnership, for the public."

Specifically addressing neighbourhood policing, he speaks of the need for effective partnerships, flexibility and innovation and what he calls "citizen-focused policing". Like Sir Ronnie, I believe that neighbourhood policing is effective in cutting crime and popular with the public because it provides reassurance.

Let me illustrate that belief using some recent experiences in my constituency. Last summer, I walked a beat with a community police officer and another beat with two PCSOs. I also joined a whole neighbourhood policing team to try to solve a specific problem in a particular community. Community engagement and the accessibility of officers are given high priority in Staffordshire, and I have worked with the police and their partners in establishing a number of police surgeries in various public premises. Members of the public can now approach police officers in confidence in settings as diverse as a converted shop, a charity drop-in centre, a university campus and a children's centre, to give just a few examples.

In the year in which neighbourhood policing is being rolled out in my constituency, I joined the police to present a roadshow. Together, the police and I explained at a series of public meetings how neighbourhood policing will work. Additionally, I encouraged residents to join existing neighbourhood watch schemes or to start new ones in areas where none existed before.

The message that I put very strongly to the public was that if the police are to put in this extra effort to be visible and up front in the community, it is time for members of the public to respond positively to support them—as eyes and ears, as providers of information and by putting peer pressure on people in their localities to behave in an acceptable way.

David Taylor (North-West Leicestershire) (Lab/Co-op): I congratulate my hon. Friend on obtaining the debate. I was pleased to hear him mention neighbourhood watch, which is very successfully organised and exists in strength in several areas of Leicestershire. Does he agree that such activities would benefit from more central funding? Much of what such schemes do depends on the money that they raise at charitable and other fundraising events. That seems a little hit and miss, and we need a bit more central support if such schemes are to continue to develop and work with the neighbourhood policing teams.

Mr. Kidney: I am grateful to my hon. Friend for that comment. Like him, I am a keen supporter of neighbourhood watch. He will recall, as I do, the kerfuffle a couple of years ago at the national level about the organisation of neighbourhood watch. That was partly a dispute within the organisation itself and it has now been resolved. At the local level, I would say that the best way to secure funding to support neighbourhood watch activities is through the safer communities partnerships and local area agreements. Certainly in Staffordshire there are good relationships between police, councils and other partners. Our neighbourhood watch annual conference is an effective and well-attended event.

Bob Spink (Castle Point) (Con): This is an important matter. The hon. Gentleman will be aware of the four objectives of the Government's neighbourhood policing initiative, which was very necessary. One was to increase accessibility to the police for the public. Does he therefore agree that it is important to ensure that we protect those police stations in small communities which many hon. Members from all parties have fought to keep open—small stations such as Benfleet in Canvey island, for instance?

Mr. Kidney: I would not want to intrude on matters relating to the hon. Gentleman's constituency by saying where his constituents should or should not have police

[Mr. Kidney]

stations. I am a little hesitant about supporting the maintenance of bricks and mortar as the place where the service should be delivered. As I said, there have been some innovative ideas in my constituency, where the police can gather and meet the public out on their patrols, and that has proved highly successful. Perhaps it is a case of horses for courses. One solution may be appropriate for one place, but a different one may apply elsewhere.

It is too early to say whether neighbourhood policing is specifically responsible for falling crime, but we have had neighbourhood policing teams for more than a year in Staffordshire and there have been reductions in acquisitive crime, violent crime and antisocial behaviour. Details from the police in my constituency for the period from April 2006 to February 2007 and the equivalent 11-month period for 2007 to 2008 show that total crime has fallen by more than 14 per cent. The figure for criminal damage cases in the earlier period is 22,897 crimes, but it is 18,842 in the later period, which is a fall of more than the average—by more than 17 per cent. For antisocial behaviour incidents, only some of which will be crimes, the police gave me a figure of 58,195 reported incidents in the earlier period, with 56,897 in the later period, which is a fall of more than 2 per cent.

I frequently hear from constituents that they want to see police patrols on their streets, and they are increasingly seeing those patrols. They can often recognise the individual officers as their regular police officers, and I know that they are engaging with their local police teams to tackle local problems. Back in 1997, constituents' concerns in Staffordshire and elsewhere in the country would have been about high levels of burglary and theft of and from motor vehicles.

Nationally, we have made vast improvements in reducing such crimes. However, on the whole, people feel no safer despite those achievements. The complaint that I hear more often than any other is that antisocial behaviour is ruining people's daily lives. I also hear of older residents worrying about gatherings of young people, whether or not there is any overt sign of unlawful or unruly behaviour.

In cases of antisocial behaviour and intergenerational mistrust, neighbourhood policing is ideally placed to intervene and be part of the solution. Close working with the public, effective partnerships with councils, social landlords and others, and decisive action taken together can offer communities a successful end to problems of antisocial behaviour.

It would be wrong, however, to label neighbourhood policing as narrowly focused. It offers visible reassurance to communities and promises speedier responses to local matters. Trusted local police teams pick up intelligence from residents that contributes to the more effective operation of intelligence-led policing more generally. Further, the evidence, which admittedly is early, shows that neighbourhood policing contributes to crime reduction across a broad range of offences. It also offers a better quality of police service to the public. In Staffordshire, every victim of criminal damage or antisocial behaviour has contact with their local PCSO. The new chief constable, Chris Sims, intends to take the emphasis on quality of service much further still.

In taking up Sir Ronnie's recommendations on reducing the bureaucratic burden on police officers, Chris Sims and his police force are at the forefront with a number of initiatives, including reducing the amount of information routinely recorded for many crimes while retaining extensive recording for serious crimes. Staffordshire police is one of four police services trialling a new streamlined crime recording process. The adoption of standardised forms based on minimum appropriate reporting requirements, as recommended in Sir Ronnie's report, has also reduced the size of many forms by half.

The Staffordshire police force has offered to pilot the implementation of mobile data technology across the entire front line. The chief constable has the backing of officers and police staff for his bold offer to the Staffordshire public to home in on quality of policing even where it conflicts with centralised targets based on quantity. I know that that is what local communities want. I can give a recent example from a public meeting that I convened of all the relevant agencies last Friday in the village of Wheaton Aston. At the end of the meeting, the chair of the local parish council said to me, "David, will you tell Parliament that we want to see more police officers on the beat in our village?" I said, "Yes, I'll do it next Wednesday morning," which was very impressive for the audience to hear.

I suggest that if we follow the line of Sir Ronnie's recommendations and the offer being made by Staffordshire police and their chief constable, we can free up more resources so that more police officers are seen more of the time in communities such as Wheaton Aston. The prize that many judge to be worth pursuing, myself included, is more time for police officers to spend on front-line policing. The commitment made to communities in Staffordshire about patrols and responses to some crimes, thanks to successful neighbourhood policing, can be amplified and extended to a wider range of crimes and situations. The Prime Minister visited Staffordshire police on 3 February. He listened attentively as police officers and PCSOs spoke of the work that they are doing to cut the bureaucracy faced by front-line officers.

Mr. David Ruffley (Bury St. Edmunds) (Con): The hon. Gentleman speaks with a great deal of passion, and he is obviously well informed. I am somewhat sceptical in my researches into claims to cut paperwork, but I cannot speak for Staffordshire. Will he enlighten us by giving specific examples that he has seen? He gave one example of a form that had been halved in size.

Mr. Kidney: I was there as the officers made their presentations to the Prime Minister, and I felt proud of their professionalism as they did so and answered the Prime Minister's searching questions, which were rather like the hon. Gentleman's. The officers gave the Prime Minister this kind of example: the domestic investigation arrest log, which collects information on domestic violence cases, was once a 20-page form but has now been reduced to 10 pages; a 16-page traffic collision form is now eight pages; and the usual recording form for what police regard as non-serious crimes, which they reckon make up 80 per cent. of the total, has been reduced from 16 pages to one.

As I said, Staffordshire police have also been trialling hand-held mobile data computers at Longton, which is

not in my constituency but in Stoke-on-Trent, and have found that they reduce the need to fill in paper forms by enabling officers to make direct contact with the police national computer and the police station. Those are all examples of how police officers on the beat have more time to do their proper work as a result of spending less time filling in pieces of paper. As the hon. Gentleman asked about it, another presentation that the police made to the Prime Minister involved a Staffordshire pilot of a speedy justice initiative. When evidence is collected, if a guilty plea is anticipated, the police officer responsible for the case can submit minimal evidence on paper to the Crown Prosecution Service instead of a raft of paper prepared specially in case of a not guilty plea.

Those are the examples given to the Prime Minister in Stafford just a month ago. I was there, and the police and I made the point together that neighbourhood policing and reducing bureaucracy are intrinsically linked. After the visit, the chief constable said:

"By tackling the culture of form-filling, we want to free up extra time and space for our officers and staff to deliver a better service, engage with communities and change public opinion".

That is what is at stake in Staffordshire's offer to implement the Flanagan report's recommendations locally and early. I accept that offer willingly, and I urge the Minister to do the same. Will he say today that the Home Office will back Staffordshire's plans with money for the investment needed, especially in new technology? We are currently using 175 mobile data devices in the pilot at Longton. The police say that with the money, they will roll out 1,200 devices to front-line police officers by September. How quick is that? Is it not an offer worth accepting?

Nationally, as in Staffordshire, Home Office policy on neighbourhood policing should focus, as Sir Ronnie observed, on supporting and sustaining the model being set up. Like Sir Ronnie, I welcome the decision to ring-fence PCSO funding for a further year. Overall, the funding this year for neighbourhood policing, including PCSOs, will be £324 million, a 2.7 per cent. increase from last year. The settlement shows that the Home Office is committed to making a success of neighbourhood policing, and I thank the Minister for that.

I acknowledge the other good work that all police services carry out alongside neighbourhood policing. Response policing bears the brunt of public service and crime detection. The last time I had cause to call the police personally—I thought that I was witnessing a possible burglary—the response was excellent, but others report mixed response times to me. The drive to reduce bureaucratic burdens promises the best gains for response policing. However, when I met representatives of manufacturing businesses recently, they warned me against over-reliance on neighbourhood policing and response policing. They were concerned about organised criminal gangs' targeted thefts of their metal stocks as a result of huge rises in the price of metals. The manufacturers made the point—valid, I am sure—that between neighbourhood policing and response policing, there lies a wide range of complex and inter-related police services to be delivered.

In focusing on neighbourhood policing, I would not want anyone to think that I do not appreciate all the other police services. I have a high regard for the expertise and professionalism of detectives, scene of crime officers, domestic violence and prolific and persistent offender teams, scientists, intelligence officers and special branch officers—I met many of them during my recent tour of the new offices at Weston road in Stafford, and I met 999 and other call handlers with the Prime Minister on the day that he came—reception and support staff, cadets, traffic police, members of specialist services such as fraud and internet investigation, and those involved in crime prevention and neighbourhood watch. Even with that long list, I am sure that I have missed many.

Let us all work together to make neighbourhood policing an effective operation for modern police services. Let us ensure that we embed it for the long term. We in Staffordshire certainly embrace the Flanagan reform agenda, including cutting form lengths and reducing record-keeping to free up more time for front-line policing. We are willing to roll out mobile data across the whole police service in Staffordshire. We just need the money, Minister; let's have it.

9.48 am

Mr. Mark Field (Cities of London and Westminster) (Con): I congratulate the hon. Member for Stafford (Mr. Kidney) on obtaining this debate, and on how he presented his case. It was gleefully unpartisan, and he made some important points. He will recognise that, historically, this country has always had citizen-based police organisations; we have had special constables, of course, for some years. In many ways it is regrettable that in recent decades—the situation certainly predates 1997—that practice seems to have diminished. That is why many of the new initiatives are very positive. Our policing model, in contrast with that of European nations, has always been firmly drilled into local communities.

Much as I think that neighbourhood policing is important, a visible police presence alone should not be the be-all and end-all of the policing challenge. I find that to be the case particularly in central London, where intelligence-led policing has great import, not least in fields such as counter-terrorism. The Metropolitan police and a range of other agencies, including the City of London police in the eastern part of my constituency, do painstaking work, but that approach has a less high profile. I appreciate that the villages in the hon. Gentleman's constituency regard policing as being about bobbies on the beat and a visible presence, but it is important that we give as much credit as possible to a lot of the other work that goes on behind the scenes. In my constituency—in Westminster at least—the local authorities are at the forefront of a partnership with the Home Office and the Metropolitan Police Service over PCSOs and a range of other initiatives, some of which I shall discuss in my brief contribution.

Many of the new initiatives were key to restoring public confidence in the aftermath of 9/11. At the outset, the concern in London was that too much of the PCSO initiative was driven by a campaign to keep numbers high. PCSOs are added routinely to overall police numbers; no doubt Ken Livingstone and his mayoral campaign will make much of that. However, I have always supported the idea of PCSOs, even in the immediate aftermath of 2001, when such support was not terribly fashionable in the Conservative party. To

[Mr. Mark Field]

be fair, they have worked well, although if there is one slight criticism it is that there is a risk that they have helped to crowd out special constables. From my work with the City of London police, it seems that the cadre of special constables feel that they are now third-class citizens compared with PCSOs. Becoming a PCSO is now an alternative career route in policing.

In Westminster, we have an initiative called CivicWatch, the key to which is that the police safer neighbourhood sergeant is partnered with a local government officer, which ensures effective liaison between the police and the local authority. I hope that the same applies throughout the country. We have found that one of the few positive by-products of the early retirement rule in the police is that some very talented ex-superintendents can come on board and work at City hall in Westminster. We currently have a retired superintendent, Dean Ingledew, who headed up the west end police service, and before him we had Bob Currie. That arrangement has worked extremely well in developing those partnerships.

The only potential flaw in the safer neighbourhoods initiative is that most community aspirations are not within the gift of the police but down to local authorities, which means that the strength of the partnership, which hopefully extends beyond the political divide, is key. For as long as there is increased pressure on local government financing arrangements—I am sure that there will be for the foreseeable future—it will be all too easy for such innovative programmes to fall by the wayside. It is therefore crucial to keep that relationship as strong as possible.

Crime and antisocial behaviour are as big a problem in my constituency as they obviously are in Stafford, but community confidence and perceptions have improved, which stems from the ability to report incidents easily, to see a reaction within a reasonable time and to receive feedback from the responsible authority. That helps to build confidence through the reassurance cycle, through which we can reduce the fear of crime and improve many of the positive perceptions.

In central London, our innovative partnership initiative is between the council, the Metropolitan Police Service, the London fire brigade, which comes under the auspices of the Mayor of London, and CityWest Homes, our own arm's length management housing organisation—we have some large housing estates in Westminster. It was established five years ago as a pilot project in three areas, but has been such a success that it has been rolled out across Westminster, which is now divided into 26 distinct CivicWatch areas, closely aligned to ward and police boundaries.

Obviously the terrorist threat after September 2001 and July 2005 has resulted in more police on the streets of Westminster. I think that all hon. Members who walk around the streets of my constituency will be impressed by the number of PCSOs, although I suspect that that is in contrast with other parts of the capital. In part that is done to raise confidence. Although central London has a relatively small residential population, some 900,000 people come to work in the 7 square miles of my constituency every day. Behind CivicWatch are some specific ideas: to combat crime, antisocial behaviour and persistent environmental problems; to reduce the fear of crime and antisocial behaviour; to signpost young people to alternatives to poor behaviour, and broadly to improve community confidence in service delivery.

David Taylor: I am grateful to my MP—at least for four days a week—for giving way. The hon. Gentleman mentioned his positive attitude towards PCSOs, but does he agree that the initial reluctance and doubts about the value of PCSOs and co-operation with them, which was reasonably widespread among the police force, has virtually disappeared? It has certainly disappeared in Leicestershire. It would help if his party abandoned the tired old rhetoric about plastic police and became more enthusiastic about the role that they can play.

Mr. Field: There is no doubt that there was some hostility, not least from the Police Federation, which no doubt lobbied Labour Members as much as they did Opposition Members when the PCSO initiative began. In fairness, at the outset my party might have been slightly hostile to the idea of PCSOs, for public relations reasons as much as anything else, but we have now moved away from that hostility. I shall not take words out of the mouth of my hon. Friend the Member for Bury St. Edmunds (Mr. Ruffley), but I am sure that he will comment on that. However, where special constables, PCSOs and the police work together, they work extremely well. If there is a residual problem, it is with the Police Federation in certain parts of the country, which obviously is worried about terms and numbers. However, it has worked well and I am certainly a believer in neighbourhood policing and similar initiatives. PCSOs clearly have an extremely important day-to-day role in ensuring that that works.

I appreciate that many other hon. Members wish to contribute, so I shall end on one brief point. Without getting over-bureaucratic, the example of Westminster works extremely well. It has a three-tiered approach towards running the CivicWatch programme: local briefings and meetings occurring on a weekly basis in each CivicWatch area to enable local teams to share information and direct problem-solving activity on the ground; fortnightly meetings chaired by a chief inspector and a CivicWatch manager, which looks at best practice within the 26 areas; and an accountability meeting every six weeks, which is open to the public as well as the leader of the council and the police borough commander.

These are exciting times in policing. My main point is that, historically and rightly, policing in this country has been very much citizen-led, of which we should be very proud, instead of the police being a class apart, as they are in many countries in Europe and across the world. Some of the initiatives being discussed are very important as we look forward to 21st-century policing, because there was a sense among the public that the police had lost their way in relation to their neighbourhood responsibilities. I look forward to the Minister's response.

Mr. Jim Hood (in the Chair): I have three Back-Bench Members on my list to speak, after which the three Front Benchers will sum up. I flag that up and ask Members to be brief.

9.57 am

Mr. Andrew Smith (Oxford, East) (Lab): I congratulate Thames Valley police on completing the roll-out of neighbourhood policing across the Thames Valley police area this month—one month ahead of the deadline. I thank my hon. Friend the Member for Stafford (Mr. Kidney) for securing this debate in such a timely fashion and for opening it with such an excellent speech. I should like to say how much I agree with the remarks of the hon. Member for Cities of London and Westminster (Mr. Field). It is very good if neighbourhood policing can be entrenched on a cross-party basis, which is obviously best for community confidence.

Neighbourhood policing is a great success, popular with the public and effective in fighting crime. It is popular with the public because it puts more uniformed officers on the streets and, I am sure, because it links local policing to local priorities through the involvement of local people in neighbourhood action groups, which in Oxford pool the input of residents, neighbourhood watch, parish, city and county councillors, housing officers, youth services and schools, the city council crime and nuisance action team, city council street wardens and park rangers—all of whom address the problems of antisocial behaviour, about which my hon. Friend spoke. The use of consultations and surveys helps to keep policing focused on what people are most concerned about and ensures that it addresses the day-to-day issues of community safety.

At a time when many types of crime, perpetrated by highly organised criminals, must be combated with specialist units and sophisticated operations, which are often inevitably remote, neighbourhood policing makes policing visible at street level, thus enhancing confidence and security and garnering intelligence. I thank the neighbourhood specialist officers, the supporting special constabulary officers, the police community support officers, street wardens and park rangers for all their work in our community. Thanks to the innovation and resources provided by our Government, their work is just what modern policing often lacked before they came along: officers out on foot or on their bikes, with time to chat to pensioners and to youths hanging out, time to call round the shopping precincts and estates and time to engage actively in community events—all the time building trust and confidence and forging local links and friendships.

Bob Spink: Does the right hon. Gentleman welcome, as I do, the review of the police performance measurement systems, which may change the emphasis from the national crime recording standards to a new framework of policing and community safety assessment? Does he share my hope that the framework will introduce more common sense to neighbourhood policing decisions, such as when to arrest and charge people for minor offences?

Mr. Smith: I am certainly happy to endorse the hon. Gentleman's enthusiasm for common sense, which should inform all those matters. Neighbourhood policing is largely a matter of common sense. *[Interruption.]*

Mr. Jim Hood (in the Chair): Order. I am hearing a bit of chatter to my left. Perhaps we could have a wee bit better order for the right hon. Gentleman.

Mr. Smith: Oxford city currently has 48 community support officers—a number that will go up to 59 from this summer. Ten are part-funded by the city council and four by the university of Oxford. It is a pity that, after the police authority announced the expansion in numbers, the Liberal Democrat-controlled city council saw it as an opportunity to cut plans to expand further the city's contribution, even though it would have attracted additional match funding. I warmly welcome the expansion, and I know that my constituents do, too. The bottom line is that all those measures are making a real impact on fighting crime.

In the three priority Oxford areas where neighbourhood policing operates—Blackbird Leys, Rose Hill and Barton—there has been a measurable reduction both in all crime and in key categories. For example, if we compare April to December last year with the same period the year before, violence against the person was down 16, 13 and 18 per cent. in the three areas respectively. Coupled with the work of the Oxford safer communities partnership, neighbourhood policing is contributing to a significant fall in crime throughout our city and, moreover, in the crimes that people fear most.

Mr. David Drew (Stroud) (Lab/Co-op): I am glad that my right hon. Friend also mentions safer community teams. Does he agree that one great advantage of neighbourhood policing is the way in which the police now work much better with other public services, principally health and social services, but also youth services and the rest? That is partly because we now give the police more time to undertake that more integrative role.

Mr. Smith: My hon. Friend is absolutely right. The inter-agency work and collaboration with other organisations through the neighbourhood action groups, to which I referred earlier, lie at the heart of that activity.

On the impact on crime throughout Oxford, if we compare the summer of 2007 with the summer of 2006, domestic burglary is down 34 per cent., personal robbery is down 11 per cent. and criminal damage is down 4.5 per cent. Our police—all of them—and all the community support officers and neighbourhood action groups deserve praise and thanks for that achievement. There is still, of course, far too much crime and too many nasty incidents—one crime is one too many—but let us celebrate the progress that is being made. Let us build on what so clearly works to achieve still more for the future. Let us do all that we can, so that people can enjoy the community safety that is a hallmark of any civilised society.

10.4 am

Tony Baldry (Banbury) (Con): It is always a pleasure to serve under your chairmanship, Mr. Hood, not least because you and I have adjoining offices in the narrowest corridor in the Palace—appropriately known as the yellow submarine. Whichever Whip decided that you and I should have offices next door to each other in the narrowest corridor in the Palace clearly had their own particular sense of humour.

The hon. Member for Stafford (Mr. Kidney) has done the House a service by initiating this debate on neighbourhood policing, and I endorse everything that my colleague, constituency neighbour and friend, the

[Tony Baldry]

right hon. Member for Oxford, East (Mr. Smith) said about the achievements of Thames Valley police.

We usually have debates in Westminster Hall because there is a problem, but I do not think that there is a problem with neighbourhood policing—an issue to which I shall return. There are, however, a couple of problems with policing, and I should like to mention them briefly. First, the Minister must recognise that there is still considerable upset, dissatisfaction and frustration at the fact that the police pay award was not fully honoured this year, and that will rankle for a long time. If an independent police arbitration system says that a fair pay settlement is 2.5 per cent. and the figures are then massaged so that officers do not receive that settlement, it is simply unfair, bad personnel management and unjust for those people who provide an excellent public service.

Mr. Ruffley: Does my hon. Friend also welcome the announcement by the shadow Home Secretary, our right hon. Friend the Member for Haltemprice and Howden (David Davis) that a departure by a Home Secretary in any future Conservative Government from any independent award will only ever happen under the affirmative procedure in the House? That is an important safeguard for police officers.

Mr. Jim Hood (in the Chair): Order. The hon. Member for Bury St. Edmunds (Mr. Ruffley) must not stand with his back to the Chair.

Tony Baldry: I entirely agree with my hon. Friend. Those in public service need to know that they will be treated fairly and that, if independent arbitration systems are put in place, they will be honoured except in the most exceptional circumstances, which would have to be demonstrated using the affirmative procedure in Parliament. I hope that we never reach that situation.

The second issue is a problem, and as the Minister is present, I should like to have another crack at it. I am sure that I shall be supported by Members with constituencies not only in the Thames valley but throughout south-east England. The issue is the haemorrhage of police officers from Thames Valley police to the Metropolitan police. Over the past five years, we have lost 388 police officers to the Met, but the problem is worse than that, because they tend to be firearms officers, detectives and road policing officers. The chief constable of Thames Valley police, Sara Thornton, says:

"This is a disproportionately high number of specialist officers, who are more experienced and highly trained. It seems likely that this proportion will rise in future years because of the high demand for specialist trained officers for the 2012 Olympics, the increased risk of terrorism, and other factors such as the opening of Terminal 5 at Heathrow.

The loss of specialist officers impact in two ways: it leaves a capability gap, and increases the recruitment and training costs to replace the lost officers."

In Thames Valley police, it costs £55,000 to train a patrol constable, £63,000 for a detective constable and £77,500 for a firearms constable—not insignificant figures. The chief constable observes:

"One of the factors cited by police officers who left or are thinking of leaving is the increased pay in the MPS"—

the Metropolitan Police Service—

"due to the London Allowance, compared to the South East England Allowance, and the difficulties of buying a house because of high property prices in the South East. Police officers are £4,393 p.a. better off by transferring to the MPS, in addition to free travel on public transport up to a radius of 70 miles.

A key point is that the South East England Allowance is frozen, while the London Allowance increases with inflation. When it was set in 2003 the differential was £4,000, it is now £4,393."

The situation is worsening.

Several hon. Members went to see the Home Secretary, and I am sure that we were all grateful to her, because she very courteously listened to what we had to say. We do not criticise police officers who move, as anyone who has skills must be allowed to transfer them, but the difficulty in the Thames valley is that we are spending money on training police officers and then losing our most experienced officers. It would be fairer if police officers in the Thames valley got the same kind of pay and settlement as those in the Met. It is difficult to see why police officers in Slough should get one rate of pay while those just across the border in Uxbridge should get so much more. It is also daft that a police officer who lives in Banbury can travel to work in London for free, as police officers have free travel, thus taking the benefit of their skills and knowledge away from the Thames valley and my constituents. That issue cannot rumble on; it must be addressed.

Let me turn from the matters that are of concern to neighbourhood policing. The other day, I spent a day with neighbourhood police officers in Bicester, and I was extremely impressed by what I saw. There are three groups—established police officers, police community support officers and street wardens—and I was impressed by the mutual respect that they have for one another. I was particularly impressed by the respect that regular police officers have for PCSOs, and vice versa, and by the way in which all three teams work together.

PCSOs focus on areas in which they can make a difference, such as neighbourhood environmental quality. They respond positively to the concerns and needs of young people, and they deal with litter, antisocial behaviour and graffiti. One young PCSO has shown great initiative. She took it upon herself to write to Network Rail to ask what it was doing about the homophobic graffiti under a bridge in an underpass through which many people walk between housing estates and Bicester town centre. She did not receive a satisfactory answer, so I took the matter up with the chief executive of Network Rail. We eventually got it sorted, and the underpass has been painted. Similarly, the district council has now put litter bins in an area where the PCSOs had picked up a lot of litter. I was impressed to hear that the same PCSO, when she realised that a derelict factory was being used as a refuse dump, tracked down the owner and told them to get it sorted. Regular police officers probably would not have time to do that, and the matter would not necessarily be picked up by street wardens.

My impression is that everyone works together positively in Bicester—I am sure that that happens in other towns—and that it is making a real difference. However, there are also concerns about PCSOs, such as their pay, which is not fantastic. It is fine for young, single people, but I suspect that it is not a great salary for married PCSOs whose pay is the only family

income. Also, it is difficult to see what the promotional prospects will be for PCSOs, although I am glad that quite a lot of them in my patch eventually transfer into the regular police force. That creates a good opportunity for each side to evaluate the other and works well. However, there might be issues about the long-term career and pay structure for PCSOs. I do not see neighbourhood policing as a problem. In fact, it is very positive and everyone understands where it fits in. In my patch, it is a good news story.

The final issue that I want to discuss is neighbourhood watch. One advantage of being my own Member of Parliament is that, when I write to myself, I always agree with what I have to say, and I should like to share with the Chamber my views about neighbourhood watch. The traditional, old-fashioned neighbourhood watch scheme has something of Miss Marple about it and may have passed its sell-by date. Villagers think of themselves as living in villages, but people in towns do not think of themselves as living in neighbourhoods, except perhaps those in the Grimsbury area of Banbury. However, people recognise that the relationship between neighbours is important.

We could introduce variations on neighbourhood watch, such as neighbour schemes that invite people to act as neighbours. Given that most future policing will have to be intelligence-led, the police will frequently need information, so people should be encouraged to give relevant information. In addition to the telephone numbers that people can use to give information, we should make better use of websites. We could increase people's ability to send information, perhaps anonymously, by text or electronically to local websites, such as a Banbury neighbours site.

Keeping young people on side is also important to intelligence-led policing. A difficulty with neighbourhood policing is that, if we are not careful, we can give the impression that all young people are a problem. When I go out with my two children, my son says to me, "Look, dad, you've got to be very careful; if we meet another youngster and they join us, we will be a group of feral youth, and you will be associated with a group of feral youth." There is a danger that younger people will feel that way. They will often have intelligence and other information that they could send by text, so we need to have mechanisms by which they can do so.

Another variation of the neighbourhood watch scheme could be to use e-mail, which most people use. If we wrote to people locally to ask for their e-mail addresses for a positive purpose, most of them would respond. If the local police had the e-mail addresses of people in Banbury, they could send them updates about neighbourhood policing once a quarter. They could also send out instant alerts, for example, if the M40 is closed, which it is from time to time, or if they were looking for particular people. There is two-way traffic with information and intelligence, but how do we bring in the community? The community wants to be brought into neighbourhood policing, but the difficulty with neighbourhood watch is that it has depended very much on everything going through neighbourhood watch co-ordinators. With interactive websites and e-mail, the community could be more involved, especially if local authorities contributed, and the whole issue could be more positive.

I find it difficult to get Ministers to visit my constituency. I wanted the Secretary of State for Health to come, and I offered to lose two stone before Easter, but even that did not persuade him to visit Horton hospital. I should like the Minister for Security, Counter-Terrorism, Crime and Policing to come at some time. *[Interruption.]* The hon. Member for Stafford laughs, but it is almost impossible to get Labour Ministers to visit our constituencies. That is bad policy, because they do not see what is happening in middle England.

What is happening in middle England on policing is good news, but I would welcome a visit to north Oxfordshire from the Minister for Security, Counter-Terrorism, Crime and Policing to see the good work that is being done by neighbourhood policing, and so that we can bend his ear about the outflow of officers from the Thames valley to the Met. I should also like the opportunity to suggest to him in person that we can make neighbourhood policing even more interactive and involve the community much more, not at the expense of police authorities' budgets, but in other ways. That would get everyone in the community involved in helping the police to tackle and reduce crime by providing them with intelligence.

10.18 am

Mrs. Janet Dean (Burton) (Lab): It is a great pleasure to take part in the debate as someone who also represents middle England. It is a pleasure to support and congratulate my near neighbour in Staffordshire, my hon. Friend the Member for Stafford (Mr. Kidney), on securing the debate, which is timely because we are at the beginning of the neighbourhood policing campaign.

In Staffordshire, there are 2,300 officers and 21 neighbourhood policing units, each of which is headed by an inspector with 251 police constables and 224 PCSOs. I congratulate all the officers in Staffordshire, but perhaps I will especially concentrate on the neighbourhood policing teams and the neighbourhood policing campaign. I join my hon. Friend in supporting Staffordshire's bid for the roll-out of hand-held computers. I also commend Staffordshire police authority for reducing bureaucracy.

I also congratulate Staffordshire police authority on being at the forefront of introducing neighbourhood policing. In Staffordshire, neighbourhood policing was introduced well over a year ago and Staffordshire has been a leading police force in guaranteeing named officers in every neighbourhood. Understandably, there is pride in the achievement of Staffordshire police. My old friend Mike Poulter, chair of Staffordshire police authority, is quoted on the authority's website as saying:

> "We were among just a handful of forces to be graded 'excellent' in the national Police Performance Assessments for how we've rolled out neighbourhood policing. We are passionately committed to maintaining a named officer in every neighbourhood."

When I spoke to a senior officer in my local division, he showed his enthusiasm and support for neighbourhood policing, describing the value of police community support officers. He told me how the PCSOs take ownership of their community and are able to provide intelligence and feedback about activities and problems in their area, and he described the value of the police consultation meetings, which involve partnership agencies and thus

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enable local people to raise not only policing issues but other matters that are of concern to them.

PCSOs bring with them a wealth of experience from their previous occupations. I have met many PCSOs who have had jobs in different sectors, gaining experience that is a considerable advantage when it comes to local neighbourhood policing. They also represent a wide range of ages, because they enter the PCSO family at different ages, and they are from various backgrounds. They are truly representative of the local communities that they serve. I am glad that our neighbourhood police officers work as a team with the PCSOs and in partnership with our local communities, including with local councillors and wardens. They know their communities and provide the reassurance that the public need.

We should also remember that, in the family of neighbourhood policing, we have the volunteers—our special constabulary that splendidly supports the regular police force. Indeed, in most ways it is indistinguishable from the regular police force. Reference has been made to the number of special constables. In the Burton neighbourhood policing unit, we have 14 police constables, 14 PCSOs and 25 special constables, and in the Uttoxeter NPU, we have six police constables, five PCSOs and six special constables. There are more special constables in those areas than full-time officers.

I thank all those involved in law enforcement in Staffordshire and congratulate Staffordshire police authority on the content of its website. Some hon. Members have already mentioned the importance of websites. The Staffordshire police authority website not only gives some of the history of the police force, but provides information on the policies and aspirations of Staffordshire police, neighbourhood watch schemes, Crimestoppers and PCSOs. Most importantly, the website gives full details of how people can contact their own neighbourhood police officer and their PCSOs, including by e-mail. The hon. Member for Banbury (Tony Baldry) mentioned e-mail, and certainly in Staffordshire the website sets out how e-mail contact can be made with officers. My constituents can look at the details of the Burton and Uttoxeter NPUs; they can see how many officers we have and they can access their contact details, including their phone numbers; and they can obtain that information through the website.

Through local events, Staffordshire police authority is promoting awareness of neighbourhood policing fortnight and the importance of people learning the contact details of officers. I welcome that process. People can also get that information by visiting the local police station or by phoning 0845 330 2010, or from the *Safer Staffs.* newspapers. I urge people to find out who their local officers are, whether that is in Staffordshire, including in my constituency, or elsewhere in the country, because it is important to ensure that people are aware of their local police officers. We can make people feel safer in our communities by providing that knowledge of whom they can contact.

Having first declared an interest as a member of my local neighbourhood watch committee, I commend neighbourhood watch schemes for the support that they give to the police and the help that they give in protecting local communities. Earlier, there was mention of funding for neighbourhood watch co-ordinators. Certainly in my area there are some concerns about the long-term funding of those co-ordinators. In my patch, one officer is being funded through the borough council and the other through the county council, but because that funding is not long-term, we have certainly lost one of those officers. I am therefore concerned that we should ensure security of funding. If we lose those officers, we will lose the great service that local people have developed over the years to try to help the police to protect their communities.

I am grateful to my hon. Friend the Member for Stafford for raising this subject. As has been said before, it is opportune. We should raise the public's awareness that they have neighbourhood officers and encourage our constituents to attend the local consultation meetings, to talk to the police and to help to provide that safety, security and reduction in crime in our neighbourhoods that we all wish to see.

10.27 am

Tom Brake (Carshalton and Wallington) (LD): I too start by congratulating the hon. Member for Stafford (Mr. Kidney) on securing this debate. He deployed a rare quality in a politician—frankness—in admitting that he secured this debate without knowing that it was opportune. It is indeed opportune and we are all grateful to him for securing it.

The debate has been consensual. All the parties that were represented here—the hon. Member for Castle Point (Bob Spink) has left us now—agree that neighbourhood policing is a good thing and the Liberal Democrats certainly support it. As a party, we are very much in favour of "pavement politics", so it is no surprise that we are in favour of "pavement policing", which is what neighbourhood policing is largely about.

We have some concerns about the level of resources that are available. We know from research that in the period up to March 2007, 20 out of 43 police forces experienced a drop in the number of police officers. We can only hope that when the figures for the period up to March 2008 become available, we will see that that trend has been reversed in those forces. Of course, we know that the total number of community support officers who were going to be deployed was reduced from the 24,000 that the Government had pledged to 16,000. No doubt, when the Minister responds he will point out that that lower number was the number that the police thought they could work with. However, I think that all hon. Members who have spoken here today are aware of areas in their own constituencies where there is still a high level of antisocial behaviour, for example, and where additional resources, if they could be brought to bear, could make a significant difference.

There is one thing that is perhaps surprising about neighbourhood policing. I suppose I am slightly too young to have been brought up on "Dixon of Dock Green". None the less, I was under the impression that intelligence about individuals in a particular neighbourhood was something that was accessible to the police and that they had people on their force who knew who the local hoodlums were and so on. However, it is only as a result of neighbourhood policing that there are now sufficient police resources available to enable that very individual identification of potentially problem people or households

When that was revealed to me three or four years ago, it was a source of some surprise.

Like other Members, I am happy to endorse the activities of my own safer neighbourhood teams, and have joined several of them on patrol to witness first hand how they work. We did some canvassing in one road where one of the residents raised concerns with me about allegations of drug dealing going on close by. When I went out a few weeks later with the relevant safer neighbourhood team, I reported the matter to the lead officer, who raided the property a few weeks later and found that cannabis plants were being grown there. It is clear that safer neighbourhood teams are working, in that intelligence gets to the right people and can be acted on promptly at the right level. Like other Members, I attend the panel of my own safer neighbourhood team when I can, just to see how it and local councillors and leading members of the community identify what the priorities will be in their ward in the upcoming quarter. That works effectively.

That is not to say that bureaucracy, to which Members have referred, is not real; it needs to be tackled. The Liberal Democrat mayoral candidate, Brian Paddick, who has experience in the police force, will be looking carefully at it. Let me give the Minister one concrete example of bureaucracy, which was raised in the Home Affairs Committee yesterday, in the hope that he will be able to write to me and other Members about it.

I do not know whether the Minister has seen the Committee transcript, but Mr. Gargan, who is an assistant chief constable, raised a problem relating to CCTV cameras. He gave evidence that to change the direction that a CCTV is pointing—not to install a camera, but to change its direction—officers are required to fill in a 17-page form. That applies regardless of whether the surveillance is covert or overt. I questioned him further on that and asked whether the police were required to do that, or whether there is some scope for interpreting the law in one way or another. He said that it was probably because of the latter—interpretation of the law rather than a clear command—that the form had to be filled in to change the direction of a CCTV camera. If nothing else results from this debate, I hope that the Minister will be able to clarify for our benefit and for that officer's benefit whether that is, in fact, a requirement. If it is not, could it be made clear that it is not, so that if the police want to make such a change—perhaps to move a CCTV camera so that it focuses on a particular parade where there have been significant problems—they can deal with it more effectively and without the need to complete a 17-page form?

We need to tackle problems of bureaucracy, but neighbourhood policing requires other actions to be taken as well. Such actions are not necessarily about policing but to do with licensing, particularly licensing regimes and ensuring responsible behaviour on the part of off-licences, bars, clubs and so on, and ensuring that we design out crime in our town centres. Those matters need to be addressed before we come to the question of neighbourhood policing itself.

My party can happily sign up to the four key principles that the Government have set out for neighbourhood policing: having visible and accessible police, influencing community safety priorities, interventions that solve local problems, and answers that give solutions to problems and feedback on results. The hon. Member for Stafford said that police accessibility was not simply about bricks and mortar. I agree that it must not simply be about that, but making the police accessible often does boil down to bricks and mortar, or at least to there being a contact point that people know about. It could be a mobile police station as opposed to a permanent base; what is needed is a known location to which people can go to visit their police officers. That is why at local level and, indeed, in London and beyond, the idea of safer neighbourhood teams having their own permanent base in their ward is appropriate.

The police certainly are more visible and accessible. The surveys that we have done over many years confirm that to be true. When we put out surveys five or 10 years ago that asked, "When did you last see a police officer?", the responses that often came back were, "Never," or "Twelve months ago." Now it is almost not worth putting out such surveys because the responses tend to be much more positive.

Progress is being made on the key principles, and Liberal Democrats support that. It is clear from the statistics that community support officers and safer neighbourhood teams are increasing public confidence in the police through their extra visibility, and, as in the concrete example to which I referred, through ensuring that local intelligence is passed on to the appropriate people and acted on.

One of the key recommendations in Sir Ronnie Flanagan's review of policing was that partnership working between the police and local communities and councils should be prioritised. I commend the example of my own borough, the London borough of Sutton, which for several years has had joint working and a joint appointment. The person happens to be a police officer, but someone from the local authority or, indeed, from outside the local authority could have been appointed. One person is responsible for the parks police, the safer neighbourhood teams, the wardens and aspects of enforcement that the local authority takes on, so that all the resources can be brought to bear in an organised fashion when local problems are identified.

I conclude by drawing attention to concerns about neighbourhood policing that other Members have referred to and which have been raised by the Police Federation. The Minister will be familiar with the report that the federation produced in December 2006, "24/7 Response Policing in the Modern Police Organisation—Views from the Frontline". Things have moved on, and the level of resources is clearly now much more significant, but the concerns that the federation raised then—only 18 months ago—were about whether staffing would be sufficient to provide the safer neighbourhood teams, and whether 24/7 response officers would be drawn from their activities and put into safer neighbourhood teams. The federation was also concerned that safer neighbourhood teams would not reduce the work that 24/7 response officers had to do but might, in fact, increase it. I hope that the Minister will be able to confirm that discussions with the federation indicate that those issues have either gone away or are not as salient now as they were then.

The Parliamentary Under-Secretary of State for the Home Department (Mr. Vernon Coaker) *indicated assent.*

Tom Brake: I see that the Minister will be able to respond on that point, and I welcome that.

Neighbourhood policing is beginning to deliver results. Once it is bedded in, there will no doubt be a need for some fine tuning. That may mean looking at the balance of police officers and community support officers on safer neighbourhood teams. Undoubtedly, there will be discussion at some point about how we balance the real need for visible policing by officers who are known to the people in an area, with the real challenges that the police face in specific locations where they might want to deploy more resources. There will be discussions about how we get that balance right, but, broadly speaking, my party supports and welcomes the direction of travel. Subject to some fine tuning, it will deliver real benefit to communities up and down the country in years to come.

10.39 am

Mr. David Ruffley (Bury St. Edmunds) (Con): I and my colleagues congratulate the hon. Member for Stafford (Mr. Kidney) on securing this timely debate. Let me make it clear that Her Majesty's Opposition support the six broad goals set out in the Government's 2005 document on neighbourhood policing. We believe in the principle that local people should have more influence over setting local safety priorities. We believe in stronger partnership working not just between local authorities, neighbourhood watches and local citizens' groups, but between primary care trusts and the whole family of partnership workers in crime and disorder reduction partnerships and other groupings. We also believe that having a more visible presence on the streets is vital to neighbourhood policing. We need to cut the paperwork and get more officers and police community support officers back on the beat.

My concerns do not relate to the principle of neighbourhood policing, which we support, but its implementation. The Conservative-controlled borough of Hammersmith and Fulham, which I visited earlier this week, provides an excellent example of delivering 24/7 policing. Two wards are enjoying this piloted experiment, which involves working across 24-hour periods. They have, on average, 30 officers, rather than the London average of six. It is worth while focusing on the results, and I would like the Minister's views on them. In Shepherd's Bush, for example, robberies are down by 48 per cent. In Fulham Broadway, overall crime is down 10 per cent., with burglary down 27 per cent. and theft down 22 per cent. Those are real examples of a very aggressive 24/7 neighbourhood policing policy.

What is the evidence for crime reductions in non-24/7 areas—our average neighbourhood policing areas? The Home Office's report this February, "Neighbourhood policing: the impact of piloting and early national implementation", which I know the Minster will have studied with care, did not provide any numerical evidence for significant reductions in crime in the 16 wards that it studied. I wonder what the Minister's view is of the empirical evidence for crime reduction in neighbourhood policing areas.

PCSOs are important in the delivery of neighbourhood policing, which was sagely observed by my hon. Friends the Members for Cities of London and Westminster (Mr. Field) and for Banbury (Tony Baldry). I do not need to go into the argument about the Government's promise at the time of the last election to recruit 24,000 PCSOs by 2008. That target has been reduced to 16,000. Will the Minister give us an indication of his estimates for the number of PCSOs who will be available in England and Wales to support sworn officers in neighbourhood teams for next year and the year after?

I have an even more important question about sworn officer numbers, police strength and absent PCSOs. We all believe in neighbourhood policing, but one does not have to be a rocket scientist to understand that the number of sworn officers needs to be kept up. I have one simple question, to which the House deserves an answer, and I am not making a party political point, because every hon. Member who cares about the problem will want the answer. On page 45 of Sir Ronnie Flanagan's final report on the independent review of policing, published in February, he said that

"maintaining police numbers at their current level"—

which was about 141,000 in January—

"is not sustainable over the course of the next three years...we would not be making the most effective use of the resources dedicated to the police if police officer numbers were sustained at their current level."

I would dearly like to hear whether the Minister and the Government support Sir Ronnie Flanagan's proposition. Until we know what their intentions are over the next three years and whether 141,000 officers is a sustainable number, we cannot have an intelligent debate about the effectiveness of neighbourhood policing.

Mr. Mark Field: Will my hon. Friend give way?

Mr. Ruffley: I will not, because we are very short of time and I want the Minister to have a proper crack at answering these questions. I hope that my hon. Friend will forgive me.

Hon. Members on both sides of the House spoke about reducing red tape. One proposal has been de-emphasised by Sir Ronnie. In his interim report on 11 September, he strongly recommended that the Association of Chief Police Officers and the National Policing Improvement Agency draft a national suite of streamlined forms containing minimum reporting requirements by summer 2008. Conservatives support that, but we do not seem to be having much success. If anyone speaks to ACPO and the NPIA, as I did yesterday, there is not much evidence of a national suite of forms with minimum reporting requirements being produced by the summer of this year, as Sir Ronnie originally wished to see. Perhaps the Minister can comment on that. We are not going to have better and more effective neighbourhood policing unless the Government get serious at a national level on cutting red tape and reducing bureaucracy.

I want to give the Minister enough time to answer those questions, so I shall just make the following points. He will agree that it is not acceptable that the proportion of time spent by patrol officers on patrol fell from 18 to 17.1 per cent between 2003-04 and 2006-07, based on the Government's own figures up to 2007. Unless those figures are reversed, they cast doubt on the effectiveness of the neighbourhood policing programme in the next year and beyond. There are also some rather depressing figures about police station

closures in the past 10 years. Freedom of information requests reveal that, to date, 550 have shut their doors.

We also need clarity on the single non-emergency number. In his final review in February, Sir Ronnie Flanagan highlighted the importance of the 101 non-emergency number in acting as a catalyst for improved partnership working between the police and other agencies. Will the Minister tell us about funding for the 101 number, because there are question marks over that?

Finally, proper implementation of the neighbourhood policing programme requires proper and stable funding. That is the view of all who have looked at the matter. Will the Minister accept recommendation No. 30 of Sir Ronnie Flanagan's report, which states:

"The NPIA should, by April 2008 have agreed a funded programme for the next three years to continue to support forces to embed Neighbourhood Policing"?

Is that something that we will see in April 2008? If not, why not?

10.48 am

The Parliamentary Under-Secretary of State for the Home Department (Mr. Vernon Coaker): It is a privilege to serve under your chairmanship, Mr. Hood. I congratulate my hon. Friend the Member for Stafford (Mr. Kidney) on securing the debate. If he does not mind me embarrassing him, may I also say that, as normal, he introduced his subject in an intelligent and thoughtful way? That gives enormous power to his arguments. I know that he works assiduously for his constituents, not only in respect of neighbourhood policing, but on a whole range of different matters, and I congratulate him on that.

Before I respond to the hon. Member for Bury St. Edmunds (Mr. Ruffley), I shall deal with some of the other points raised. This was a very intelligent debate and discussion, and hon. Members raised matters of importance. They were concerned with how to improve the delivery of neighbourhood policing in every area. The debate was not about the principle of it, because we all know that what people want is a visible uniformed presence on the street, but about how we can make that as effective as possible and how we ensure that local people can influence those officers in a proportionate way.

The hon. Member for Cities of London and Westminster (Mr. Field) was right to say that issues other than neighbourhood policing are important. It is for local police forces to achieve a balance in relation to that, which is something that we should not lose sight of. I was pleased that he and others highlighted the role of PCSOs. Given some of the publicity about them, it is important to say again that the Government and the vast majority of hon. Members think that they do an outstanding job in our communities. The introduction of PCSOs has been a major reform and has led to considerable improvements. We should consistently acknowledge that. When I and many other hon. Members travel around the country or are in our constituencies, we pay tribute to the role of PCSOs. I am grateful for his support on that.

The hon. Gentleman also mentioned the role of specials, and it is right and proper that we recognise their role in delivering neighbourhood policing. It is not just the number of specials that is important, but the number who are active in communities, which is a point that is often lost. A change was made in the past few years and the police work hard to ensure that specials are properly integrated into neighbourhood policing teams, and that they are active and working hard in those teams, rather than simply being numbers in a book. There has been considerable improvement in that and integration has been an important factor.

My right hon. Friend the Member for Oxford, East (Mr. Smith) talked about neighbourhood management, which is a particularly important point—in fact, it is crucial. Neighbourhood policing cannot be delivered without being part of neighbourhood management. He made that point when he talked about the reduction in crime in his area, brought about by a neighbourhood management approach. The role of PCSOs was also important and, again, he highlighted the difference that they have made.

The hon. Member for Banbury (Tony Baldry) talked about a subway in his area where a tremendous difference has been made by the local authority—or Network Rail or whoever was responsible—painting out some graffiti. That is not a policing function. In many respects, it is the function of the local authority or whoever is responsible. Painting out graffiti containing homophobic hatred or other types of graffiti means that when people walk down the subway, they will feel the benefit of the actions of those who take a pride in the community. Sometimes the simple measures that people think should be done—and they cannot understand why they are not done—make a real difference. In all our constituencies, fixing a broken streetlight or sign makes a huge difference. That is not part of a policing response, but part of neighbourhood management, in which the police play an important role. I think it would be a shock if I—a Labour Minister—turned up in the middle of Banbury, and we would perhaps have some fun if I did so, but, on a serious note, I will consider visiting.

Mr. Andrew Smith *rose—*

Mr. Coaker: Of course, I will go to Oxford at the same time.

Mr. Smith: My hon. Friend could come to Oxford, East on the way to Banbury. The hon. Gentleman made a point about the career structure for PCSOs and the opportunities for progression. Does my hon. Friend have that matter under review or have further proposals on it?

Mr. Coaker: The next thing I have written on my notes is not to forget to say that on the way to Banbury, or on the way back from Banbury, I will, of course, call in at Oxford. Just in case I have missed anyone out geographically, I should say that it is important for Ministers to go to different constituencies and parts of the country. I have been to Burton, Stafford, Copland in Cumbria and other places to see the work that is going on.

Hon. Members will know that the Association of Chief Police Officers has asked the National Policing Improvement Agency to review PCSOs and career development will be considered as part of that. On the transfer or movement of officers from Thames Valley and, indeed, other forces into the Metropolitan force,

[Mr. Coaker]

officers recruited after 1 April 1994 in south-east forces receive an additional allowance of £2,000 per annum and £1,000 per annum in Bedfordshire and Hampshire. We have been asked to revisit that allowance and to uprate it to deal with inflation. We recently heard the views of Sara Thornton, the chief constable of Thames Valley, who has made representations on that issue. It is a matter for the Police Negotiating Board, but I know that it is under consideration.

My hon. Friend the Member for Burton (Mrs. Dean) made an important point about neighbourhood management and the role of neighbourhood watch. There is a need for neighbourhood watch to extend its role and to develop the way in which it works in a modern police setting. There is certainly an important role for neighbourhood watch.

The hon. Member for Carshalton and Wallington (Tom Brake) talked about local priorities and the points he made were right. One of the tasks for neighbourhood policing is to ensure that local people feel that they can influence the priorities and have a real say. That should not mean that police operational independence is compromised, but if there is to be true neighbourhood policing in an area, surely it is only right and necessary for people to have some influence.

On CCTV and accessibility, when I have been to different parts of the country, including the constituency of my hon. Friend the Member for Copeland (Mr. Reed), I have visited control rooms where they change the direction of CCTV cameras all the time. However, I will consider the hon. Gentleman's point. If it is appropriate, I will write to every hon. Member present with the answer to his question so that it is on the record. As I have said, it is not something that I have heard before, but I will take up the point.

I genuinely welcome the support of the hon. Member for Bury St. Edmunds (Mr. Ruffley) for neighbourhood policing. I also welcome the other points that he made. We are trying to get empirical evidence on neighbourhood policing. However, it is fair to say that every police force that we have spoken to says that neighbourhood policing has led to a reduction in crime—and importantly a reduction in the fear of crime—as happened in Hammersmith and Fulham, to which he referred.

The hon. Gentleman will also know that all the Flanagan review's recommendations are being considered by the Government, including those that he highlighted. Part of that is about reducing bureaucracy. We know that forms are being reduced in size across the country and my hon. Friend the Member for Stafford gave examples of that. As I say, we will push that matter forward. One of the ways in which we will do that is through mobile data sets, although I cannot give him a commitment on that this morning.

Mr. Kidney: Really.

Mr. Coaker: I am sure my hon. Friend is not surprised. I cannot give the commitment because it would drive a coach and horses through the bidding system. We have heard his plea for Staffordshire in relation to the funding for that and we will consider it.

The hon. Gentleman mentioned maintaining police numbers and referred to the point made by the Flanagan review. Obviously, we intend to maintain police numbers. We have invested record amounts in the police service and there has been a huge increase in police numbers. PCSOs have been introduced and there has been a massive increase in the number of police staff who have taken on roles previously undertaken by warranted officers.

Obviously, the Government must consider the Flanagan report, but we have not come to a conclusion on it. However, the point that Sir Ronnie makes is whether the mix of staff numbers is right. That links to the point made by the hon. Member for Carshalton and Wallington. Clearly, one of the reasons we reduced the funding for PCSOs from last April was because the Association of Chief Police Officers asked us to. Similarly, surely the mix of police staffing, staff numbers, PCSOs and uniformed officers is a matter for local police chiefs. Sooner or later, Parliament will have to make up its mind across the board about whether it wants to issue national diktats to local police forces or have local decision making, even if that sometimes means taking an easy political hit. With respect to the police, we must decide whether we want effective policing determined locally or yah-boo politics dictating what is an appropriate public policy. That is something on which we need to reflect. The Flanagan review has made its recommendation, which the Government will consider in due course.

Housing (Warrington)

11 am

Helen Jones (Warrington, North) (Lab): It is a pleasure to serve under your chairmanship, Mr. Hood. I am glad to have secured a debate on housing need in Warrington and to see my hon. Friend the Minister in his place—he takes a serious interest in such matters.

I am not here as a nimby. Warrington is not a town of nimbys. For many years, it was part of the Warrington-Runcorn new town area, and the town expanded rapidly. We have a thriving economy, and under this Government, people in my constituency have seen a change: vast numbers of people were unemployed, but now more people are in employment than Beveridge defined as full employment. As a result, my constituency contains a surprising mix of people, including families who have lived in the town for generations, people who have come from Manchester and Liverpool, and people who, like me, have come from further afield and who are proud to live in the town even though they were not born there. Nevertheless, we have a serious housing problem, and my constituents are concerned about the kind of housing that is being built and that is planned for the future.

Our problem can be summed up very simply. Warrington has exceeded its house building targets for years, yet we do not have the kind of housing that we need. At the last count, 11,320 people were on the housing waiting list; yet between 2002-03 and 2006-07, only 142 units of social housing were built. We have the additional problem that house prices in the town are much higher than in the surrounding areas. The average cost of a semi-detached house in Warrington is more than £175,000 and the average cost of a terraced house is more than £130,000, but many people in the area are on low wages, despite the Government's efforts to get people back to work. The town as a whole does not score high in the indexes of deprivation, but seven wards, many of which are in my constituency, are in the bottom 25 per cent. of the most deprived areas in the country. As a result, the average house price in Warrington is nine times the average wage and, to get a typical mortgage, it is estimated that someone needs to earn about £50,000, which is twice the average wage.

We have a joint problem. People who need social housing cannot obtain it, and young couples who want to get a foot on the ladder cannot afford to buy. The problem is not exclusive to Warrington. When the Government office for the north-west held a meeting to brief MPs on housing growth point status bids—it was rather late in the day, if I may say—the problem was raised by many hon. Members. My hon. Friend the Minister will have seen at his surgeries families who live in such overcrowded conditions that people sleep in living rooms and boys and girls share bedrooms, sometimes when one is in their teenage years, and young couples who are desperate to buy but simply cannot find anything that they can afford. At the briefing meeting, I hope that it was conveyed to him that many of us who unfortunately have Liberal Democrat or Tory-controlled councils—or, as in my area, an alliance of both, which we call the "ConDems"—have no faith in the willingness of those councils to supply affordable housing even when they have put in growth point status bids. I have no doubt of the Government's commitment, but I have grave doubts about the ability and willingness of Warrington borough council to deliver.

Warrington's bid gives all the appearance of having been cobbled together. Originally, it was a stand-alone bid from Warrington, but at the suggestion of the Government office for the north-west, it was linked with the bids from Halton and St. Helens. I am concerned about that because those areas have different housing problems, and they are in a different situation from Warrington. For instance, the bid says that the council can deal with the traffic problems, but anyone who lives in Warrington knows that the town is frequently gridlocked. It also says that there is no flooding problem, which is interesting, because I received a letter from the strategic director of environment and regeneration that says,

"as you know, the town is vulnerable to flooding from a number of sources".

It goes on to say that I should lobby the Government for more money to deal with flooding, stating:

"I remain concerned however that such increased funding remains insufficient to permit spending on flood defences in Warrington".

The bid has not been thought through. When my hon. Friend the Minister looks at it, he will not need a crystal ball, but simply to read the book. The last big planning permission granted by the council was for a site on Loushers lane. Some 178 houses will be built, only 17 of which will be affordable. Frankly, that is scandalous given that the council holds the whip hand in granting planning permission, because it has exceeded its housing targets. In its bid, the council says that it will require about 419 units of affordable housing a year to meet the need, despite

"having a considerable over-supply of housing in relation to the regional requirement".

That is exactly right, but only because we have been building the wrong sort of housing for people's needs. I fear that the bid will continue that.

My hon. Friend the Minister should not be fooled by some of what is said in the bid; the key is in the front, where the council talks about building on

"previously developed and under-used land in the town centre and its waterfront–transforming the area as the platform for the town's economic growth".

The bid document returns to that, but it does not sound much like affordable housing to me. Planners and some Warrington councillors have long held the ambition of developing the waterfront in the same way as they have been developed in Manchester and Liverpool. However, if people want to buy waterfront flats in a big city, they would normally go to a big city; yet the council has allowed such flats to be built there and in other areas in the town. Anyone can pick them out not only because they stand out like a sore thumb from the rest of the town, but because they are festooned with "To let" signs. They have been bought and put into the buy-to-let market at prices that most of my constituents cannot afford. When I asked the chief executive whether there would be affordable housing along the river, she looked sheepish and said, "Well, some."

The real intentions could be deduced at a meeting that was held when my right hon. Friend the Minister for the North West visited Warrington last year. The

[Helen Jones]

meeting was set up by the Government office for the north-west, which is why I do not have much faith in its ability to assess the bid. It invited big developers and even the principal of the local college, but not the town's MPs. If it had done so, we might have had something to say on aspects of the bids. For instance, the bid states:

"Many...urban sites lend themselves to high density developments in the form of flats or apartments".

Perhaps the difference between a flat and an apartment is how much someone pays for it, but that is not what my constituents or the people who are looking for housing want; they want houses in which they can bring up their families decently.

The bid talks about "building a new image" for Warrington. Frankly, I would rather the council builds some affordable housing. I hope that, when looking at such bids, my hon. Friend the Minister will not allow a situation in which families who have lived in an area for generations are priced out because of the kind of buildings that are being developed.

Even when there is affordable housing, the council cannot be relied upon to keep it in the affordable sector. Many allegations about properties built as affordable homes being sold to the wrong people have been made. For example, a lady who was previously a constituent of my hon. Friend the Member for Warrington, South (Helen Southworth) was renting a house for £550 a month. The house was built as affordable housing and was sold for £79,000 to someone who already had a property. When my hon. Friend raised the matter with the council, it told her that there was

"insufficient evidence to prove that there is a breach of the S106 agreement."

When the case was passed to me, I pointed out that the council had admitted that there were flaws in the section 106 agreement and asked what it was doing to strengthen it. I got a reply from the strategic director of community services, who shows neither any strategy nor any regard for the community. I was told that the council could not strengthen the agreement because

"S106 agreements are precisely that, an agreement between signatories."

Well, knock me down with a feather. In this case, one of the signatories holds most of the cards and is not using them.

I was also told that, although affordable housing should not be sold to someone who owned a property or had sold one in the past three years,

"this is not stipulated in the S106 agreement, so it would not necessarily be applied by a developer in the event that the council did not find a nominee."

There we have it: the council is still negotiating a pitiful amount of affordable housing on developments. It is not strengthening the section 106 agreements to allow it to find nominees in the event that a sale falls through, as a proportion always will, and it does not seem concerned when affordable housing ends up in the buy-to-let sector. Yet it told my hon. Friend that it would deliver 50 per cent. affordable housing if it were allowed to be a housing growth point.

The council makes great play of inward movement to Warrington. We are not nimbys, but the first duty of a council is to cater for its own population. At the moment, people are moving in to buy the more expensive housing, which is still less expensive than in some of the big cities, whereas young couples who have grown up in the town are having to move out to find somewhere affordable to buy. I hope that, when my hon. Friend the Minister examines the bid, he will take steps to stop that happening.

There are fears about sites that are coming on stream, such as the site of the old Bruche police training centre in my constituency. English Partnerships has bought it and wants to develop it for housing. A lot of consultation is still needed with the local community about what community facilities there should be and so on, but I understand from my discussions that the council is already trying to impose conditions that would reduce the amount of affordable housing that could be built there. The fear is that the same thing will happen if the council closes Woolston high school, in the centre of my constituency, as it scandalously wants to, and that the site will be sold to the highest bidder and developed without regard to the housing needs of the community and without proper community facilities, thus enabling the council to bank large capital receipts, which it will no doubt spend south of the river in the town, so my constituents will not benefit.

I hope that my hon. Friend the Minister can reassure me and my constituents on a number of matters: first, that the bid will be properly appraised, despite being lumped in with two other councils that have very different circumstances at the instigation of the Government office for the north-west. I hope that the bid will be examined, so that if it is allowed, the council provides 50 per cent. affordable housing on different sites around the area, instead of pricing local people out of an area.

Secondly, my constituents will want to be reassured that the housing that is built will be of good quality, with the right community facilities. They do not want more high-rise flats, and they do not want what one lady described to me as "cheap and nasty" affordable housing. That is not the Government's intention, and my hon. Friend is committed to providing good-quality housing for hard-working people, but I should like to know how he will ensure that the council does that.

Thirdly, my constituents are keen for affordable housing to be built for the sons and daughters of Warrington people. I have done a lot of surveys all around my constituency, and that message has come out loud and clear. We must ensure that we do not just have expensive houses that local people cannot afford to buy.

Fourthly, we must tackle the shortage of rented housing in the borough. Building affordable housing will help to tackle the waiting list that I mentioned, but there will always be people who want or need to rent. There is also a hidden need among people who want to move, for various reasons, but know that they have no chance of doing so at the moment.

I want my hon. Friend to reassure my constituents that we will get the kind of housing that we need. He and the Government are committed to that, but the real question is how we can get local authorities, which might not be as committed to it as we are, to deliver for the people whom I represent. Hard-working families in

my constituency are fed up of being priced out of their own area. I do not want to see any more people in my surgery crying because they cannot move into rented housing or because they are desperate to get a start in life and find somewhere to buy but cannot do so in the area where they have grown up. I hope that my hon. Friend will be able to reassure me on the matters that I have mentioned.

11.15 am

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Iain Wright): I think that this is the first time that I have served under your chairmanship, Mr. Hood. May I say what an absolute pleasure it is to do so?

I congratulate my hon. Friend the Member for Warrington, North (Helen Jones) on securing this important debate soon after securing an Adjournment debate in Westminster Hall on knife crime, I believe.

Helen Jones: Alcohol-related crime.

Mr. Wright: It was alcohol-related crime—I am sorry. My hon. Friend works assiduously on behalf of her constituents on a range of matters, not least the need for more affordable housing in Warrington. She has been particularly strong in ensuring that her constituents are heard here in the House, in Whitehall and throughout the north-west region, particularly with regard to housing. *Hansard* demonstrates her persistence on that subject. Both I and my right hon. Friend the Minister for Housing can personally testify to the representations that she has made on behalf of those seeking affordable housing in the borough.

If you and my hon. Friend will allow me, Mr. Hood, I wish to mention the national housing picture and then apply it to the circumstances in Warrington. My hon. Friend will welcome the fact, as I do, that housing is back at the top of the political agenda, and that the Government are determined to provide better, greener and more affordable housing. To be frank, this country has not been building enough homes since the early 1970s, which means that concerted effort is needed. Rising prosperity and a thriving economy over the past decade have meant that more people want to get on the property ladder—particularly, as she said, hard-working families. Equally, more people are living alone as a result of social change, and people are living longer, with the result that we need more homes that are suitable for older people, perhaps with provision for their grandchildren to stay with them to maintain a family network.

The Government published the housing Green Paper, "Homes for the future: more affordable, more sustainable", in July 2007. It set a target of 2 million new homes by 2016 and 3 million by 2020. Within that total, we have set a target of providing at least 70,000 new affordable homes a year by 2010-11, of which 45,000 should be for rent. The Government expect at least 30 per cent. of new socially rented provision by the Housing Corporation to be family accommodation, to ease the overcrowding pressures that my hon. Friend so eloquently mentioned.

With the renewed political priority have come substantially increased resources. The Government have pledged about £8.4 billion over the next three years to tackle the problem of affordable housing. There has been a substantial increase in the resources available for providing new and affordable homes in the north-west region. About £526 million has been allocated to the national affordable housing programme for the next three years, with the aim of aiding the completion of about 6,500 socially rented homes and up to 3,000 affordable properties for sale.

The regional housing strategy in the north-west is currently being refreshed to better reflect the affordability agenda, and I understand that Warrington should be better placed to attract support in future years because of it. I understand also that the borough has so far secured £4.7 million, in strategic partnership with a number of registered social landlords, to fund the development of 94 new homes for rent in the current bidding round. Further bids will be developed for the Housing Corporation's regular market engagement in the coming months.

Like my hon. Friend, I represent a northern seat and I am conscious of the fact that pressures on housing and affordability are not confined to London and the south-east. As she so excellently said, there are concerns about affordability in every region, which is why the Green Paper extended the growth points programme to the north for the first time. Growth point status is not a statutory designation, but represents a relationship between central Government and local partners. It is built on four principles: early delivery of housing as part of growth plans; supporting local partners to achieve sustainable growth; working with local partners to ensure that infrastructure and service provision keep pace with growth; and ensuring effective delivery. Levels of growth will be subject to comprehensive testing and public consultation through the regional and local planning processes, and I hope that that reassures my hon. Friend. The aim is to ensure that individual proposals are sustainable, environmentally acceptable and realistic in terms of infrastructure.

As my hon. Friend said, Warrington, in conjunction with neighbouring authorities, submitted an expression of interest for growth point status in October 2007. In December, the Government office for the north-west held an informal briefing for the region's MPs, at which my hon. Friend expressed her views—in a somewhat forthright manner, as she said—about the priority that affordable housing should be given in the delivery of new housing in her patch. The Government office for the north-west passed on her views in writing to the chief executive of Warrington borough council. Again, my hon. Friend is to be commended for her interest in this emerging agenda, which will impact greatly on the level of affordable housing available to her constituents. I fundamentally agree that MPs should be at the heart of this process representing their constituents. At this point, however, I should make it clear that we are still considering all applications for new growth point status, and no decisions have been made, but I cannot say more on that.

As I have mentioned, and as my hon. Friend said, affordability has emerged as the single most important issue in housing almost everywhere. Warrington is one of many areas suffering the consequences of the market's historical failure to supply enough housing to meet rising demand. Average lower-quartile house prices in Warrington have risen by about 179 per cent.

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in the past 10 years, which is much faster than comparable incomes. Between 2001 and 2006, the average property price in Warrington rose by 83.7 per cent., compared with an increase of 74.7 per cent. for England and Wales as a whole. As my hon. Friend suggested, the ratio of lower-quartile house prices to income was 3.26 in 1997 and 6.72 by 2007, although it has come down slightly from a peak last year. Taken together, those figures make Warrington the 15th least affordable borough in the north-west.

Warrington's history of new town development and subsequent strong economic growth, as well as the investment that has been put into education, of which my hon. Friend is a massive champion in her area, have attracted many workers to the town, and that, in turn, has fostered significant housing development. However, my hon. Friend is right that we must do more to encourage and enable young families who were born in Warrington and who want to stay there to do so. I am anxious that we do not price them out of their home town. My hon. Friend has often expressed concern—she has done so in an excellent fashion this morning—at the apparent disconnect between the rising number of homes in Warrington and the growing number of people looking for social and affordable housing in the borough. My comments on that will form the main part of my response.

My hon. Friend made the important argument that we are talking not simply about housing numbers, but about the type and mix of new housing that is created in the borough. Again, the figures bear out her analysis. Access to social housing has become more difficult:- there were about 10,400 households on Warrington's housing waiting list on 1 April 2007, and that has increased. That compares with 2,516 in 1997. The number of new social lettings has also declined in recent years, from 1,311 in 2003-04 to just 1,112 in 2006-07—a fall of about 15 per cent. The number of new houses built, as opposed to other properties, such as maisonettes or flats, is slowing more markedly, falling from 421 in 2003-04 to 311 in 2006-07, and I fully understand—I think that my hon. Friend will share this concern—that that needs to be tackled. Finally, 90 households were accepted as homeless in Warrington between October and December 2007, which is a 14.5 per cent. increase over the same period the previous year. Bringing those figures together, there is no doubt that housing supply and affordability are crucial issues for the town.

The council has a key role to play in addressing those challenges, as my hon. Friend has said. It must ensure that it stands up for mixed developments that provide a range of buildings, tenures and, crucially, community facilities. Planning policy statement 3 should help to achieve that. To illustrate my point, I will quote from the letter that my Department sent to local planning authorities when PPS3 was released. The letter states:

"PPS 3 puts in place a national policy framework for planning for housing at the local and regional level. It provides an enabling framework for local planning authorities, working with their stakeholders,"

—MPs are crucial stakeholders in this respect—

"including developers, to deliver both the right quantity of housing to address need and demand in their area, and the right quality and mix of housing for their communities."

That last point is crucial. I know that my hon. Friend agrees that we do not wish to see the physical polarisation of the poor and the affluent. We do not wish to see gated communities on the canal in Warrington, away from ghettos elsewhere in the borough. Such an approach is not conducive to sustainable, prosperous and thriving communities. The local authority needs to aim to create vibrant, mixed-tenure communities by ensuring that the right housing of the highest quality is in the right place.

Our housing Green Paper announced various measures to help councils to carry out their strategic housing role and deliver such communities, such as a new housing and planning delivery grant totalling £510 million to direct extra resources to councils; new approaches to help councils provide more social housing; joint venture vehicles that councils can establish to work in partnership with the newly created Homes and Communities Agency to deliver affordable housing on council land; and encouragement for councils to bring long-term empty homes back into use, making better use of existing stock and partnerships with a wider range of housing providers.

Our recent efforts have focused particularly on attempts to encourage local authorities to make better use of their statutory planning powers to improve the supply of affordable housing through section 106 of the Town and Country Planning Act 1990, which I understand has played a particular role in Warrington in the recent past. Some 420 affordable units were completed in the six years up to 2005-06, and the local authority has reported to me that an additional 667 units have already been secured for future delivery. The council also expects to receive more than £5.6 million in section 106 commuted sums to be spent solely on future affordable housing projects, move-on accommodation and tackling long-term voids. However, I take on board precisely what my hon. Friend was saying on the matter and I will look closely at it.

Helen Jones: Does my hon. Friend agree—I am sure he does—that councils should not accept those payments when they are a way for a developer to wriggle out of their obligation to provide affordable housing, thus making it more difficult to provide mixed communities?

Mr. Wright: That is an important point. We need to ensure that the agreements that have been made under section 106 are followed through absolutely and complied with.

At this point, I should say that my hon. Friend has pushed this agenda in Warrington and made the council address the issues we are talking about. Warrington has also completed a strategic housing market assessment, which has identified a shortfall in smaller one and two-bedroomed houses, particularly in the social sector, a shortfall in larger family housing across all sectors, and the potential for intermediate housing. I commend my hon. Friend for taking that agenda forward in Warrington and highlighting to the council and others precisely what is needed.

Let me briefly mention the regional spatial strategy to give a more regional perspective. The RSS panel report refers to the delivery of an average of 380 dwellings per annum in the borough, and I understand that Warrington is pushing forward with a clear ambition to deliver substantially more, although I recognise that we

are talking not only about housing numbers, but about ensuring that we have the right mix of tenure in the right place. I would be honoured if my hon. Friend invited me to Warrington to have a look around, to address the issues and to ensure that the principles of having housing developments in the right place with the right mix and the right community facilities are engaged on the ground. If Warrington is to realise its ambition to deliver half of the new growth as affordable housing, that would represent a step change in performance.

I hope that I have demonstrated that we are fully aware of the affordability problems in Warrington. The Government have provided the borough council with the strategic framework, the powers and the funding and partnership opportunities to make a real impact on this issue in the future. Furthermore, we are committed, through our agencies and Government offices, to working with the local authority, elected representatives and all partners to help Warrington deliver the right kind and mix of housing in the right place as quickly as possible. I hope that the local authority in Warrington, as well as other agencies, is as bold, clear minded, determined and ambitious as my hon. Friend is on behalf of the hard-working, decent families and people of Warrington.

11.30 am

Sitting suspended.

Safe Water (Developing Countries)

2.30 pm

Alistair Burt (North-East Bedfordshire) (Con): It is a pleasure to be here under your chairmanship, Mr. Hood. I look forward to an interesting debate. I am grateful for the opportunity to debate this topic. I thank in particular the hon. Member for Stroud (Mr. Drew), who cannot be here this afternoon, and the hon. Member for Westmorland and Lonsdale (Tim Farron) for co-signing my letter asking Mr. Speaker for the chance to debate access to safe water in developing countries.

For us, it is the simplest thing in the world: if we want a drink, we go to a tap or pick up a bottle. It takes only a fraction of a second, and we are all very used to it. Water is one of the handful of substances essential to life—not a convenience, a whim, a habit or a trend, but a necessity. Without water we die, so we need a regular, easily accessible supply of water. If water is not immediately accessible, we must go to find it. None of us in this room has to go far. This debate aims to draw attention to the fact that too many people worldwide do not have that ease and convenience of access, and that what we take for granted is far from being taken for granted all over the world.

World water day, 22 March, is being marked in this place by this debate and an early-day motion tabled by the hon. Member for Berwickshire, Roxburgh and Selkirk (Mr. Moore), who is in his place on the Liberal Democrat Benches. This debate and the early-day motion underline some uncomfortable facts. Half the developing world lacks basic sanitation. Nearly 2.5 billion people in the world, roughly two in five of all of us, do not have proper drains or toilets, and 1.1 billion, roughly one in six, do not have access to safe drinking water. Some 1.8 million people, 90 per cent. of whom are children under the age of five, mostly in developing countries, die every year from diseases related to diarrhoea caused by unsafe water and poor sanitation. Water-related disease is the second biggest killer of children worldwide. The average person in the developing world uses 10 litres of water every day—the same amount that we use every time we flush the toilet.

The world's recognition of those uncomfortable truths prompted one of the UN millennium development goals, which is to halve by 2015 the proportion of the world's population without sustainable access to safe drinking water and basic sanitation. However, the UN millennium development goal progress report of 2007 stated that

"if trends...continue, the world is likely to miss the target by almost 600 million people. Only Eastern, South-Eastern and Western Asia, Northern Africa and Latin America and the Caribbean are on track to halve the proportion of people without basic sanitation by 2015. All other developing regions have made insufficient progress towards this target. In sub-Saharan Africa, the absolute number of people without access to sanitation actually increased—from 335 million in 1990 to 440 million people by the end of 2004. This number may increase even further if trends do not improve."

For those of us who have been fortunate enough to visit countries in the developing world and work with extraordinary people who cope daily with burdens that we can scarcely comprehend, one of the abiding memories of such a visit is the women and children who line the roads every day as they carry jerry cans

[Alistair Burt]

and other containers significant distances to find the water that they need for their families for the day. In some circumstances, that parade of graceful, incredibly resourceful people can appear rather romantic—a traditional pattern of life being carried on in the modern world—but in reality it is the face of a disaster. Lack of water is one of the single greatest factors restraining developing nations from fulfilling their true potential, as women and children's time and effort are diverted from other activities to the daily grind of securing water—an act that all of us take for granted. The average distance that women in Africa and Asia walk to collect water is four miles, and the average weight of the water that they carry on their heads is some 20 kg, roughly the same as our baggage allowance in a United Kingdom airport.

That is why, yesterday morning, a collection of hon. Members, religious leaders and some 30 wonderful children from All Souls Church of England primary school in Foley street, London, led by their head teacher, Miss Alex Ascough, assembled in Parliament square to undertake a symbolic four-mile journey to collect water from a fountain in Hyde park, fill some containers and return. We carried nothing like the amount of water that we would actually need for the day.

I asked the House of Commons Library to estimate how much water is used each day on the parliamentary estate, and the Library kindly put together some figures for me. In 2006-07, the estate used 178,084 cu m of water. In working out what that comes to for each of us, one can do various calculations: per Member and peer, per working day or per sitting day. Our best minimum estimate was that all of us—MPs, peers, parliamentary staff, political staff and visitors—use 23 gallons of water every day, 365 days a year. Imagine if we had to carry that every day—fetching it, carrying it, bringing it into our offices—before starting work and getting on with the day.

I commend those who walked with us yesterday, particularly the children. Their behaviour was impeccable, their interest in what we were doing was remarkable and their sense of solidarity with their brothers and sisters in so many places around the world who do the same for real every day was palpable. I thank them and the school for their efforts. The walk was, we hope, the first of hundreds in the "Turn on the Tap" campaign of challenge walks being organised nationwide by the Christian international development organisation, Samaritan's Purse. Churches, community organisations, schools, clubs and individuals are being encouraged to organise similar four-mile walks on or around 10 May this year. The charity hopes that the simple symbolism captured by the walk will encourage more people to direct their aid efforts towards water provision, and it has prepared aids for schools, including lesson plans and charts, to encourage those who wish to organise a walk. I commend Samaritan's Purse for what it is doing and for its efforts to bring it to the attention of the House.

Samaritan's Purse is far from being the only charity involved with water provision. WaterAid, World Vision and a series of leading non-governmental organisations and charities working in development recognise the importance of the provision of water and provide opportunities for people to donate to support such projects. I am sure that the whole House would commend such work and urge individuals and communities to continue to do what they can to support it. Although government has its role in development—I shall come to that shortly—it should not be forgotten that each of us owes an individual responsibility to our neighbours in a rapidly shrinking world. We cannot expect all the burdens to be shouldered by others or by Government. By supporting individual projects and the work of charities and NGOs such as Samaritan's Purse, and by taking part in the "Turn on the Tap" challenge, we are all playing our part.

I should like to say a word about one aspect of the importance of access to water in the developing world, apart from the obvious connection with disease or health, which I think others might cover. The developing world knows that its future does not rely on aid donations, nor has it done so for many years. It relies on countries and their peoples developing their full potential, but if the basics of life are inaccessible, the time spent acquiring them takes people away from the very processes needed to help a country develop in the best possible way.

For children in particular, the absence of water makes a substantial difference to their schooling. Last year, I had the honour of visiting Rwanda with colleagues, including my right hon. Friend the Member for Witney (Mr. Cameron) and my hon. Friend the Member for Sutton Coldfield (Mr. Mitchell), as part of a substantial project. As we travelled through the country, we saw children taking water to and from places and we visited children in village schools. We saw the quality of some of those schools and of the toilets and sanitation in them. As a result of that, we recognised how important the process of fetching water is.

WELL, the resource centre for water, sanitation and environment health at Loughborough university, says that in Madagascar, for example, 3.5 million school days are lost each year owing to ill health related to poor sanitation, and that children frequently miss school owing to domestic and water-carrying duties. It reports a 12 per cent. increase in Tanzanian school attendance when water is 15 minutes away rather than an hour. Of the 120 million school-age children not in school around the world, the majority are girls. Some 41 per cent. of primary-age girls worldwide not enrolled in school are in south Asia and 35 per cent. are in sub-Saharan Africa. When women and girls have access to water and sanitation, less school time is lost. Where there are working and well maintained separate sanitation facilities for girls, school enrolment increases. In rural Pakistan more than 50 per cent. of girls drop out of school in grades 2 and 3 because the schools do not have toilets.

Many questions surround the provision of water, which cannot and will not always be supplied in exactly the same way. The needs of urban and rural communities are different. There are complex questions about how water is supplied; about the role of non-governmental organisations, charities, Governments and the private sector; about ensuring that a country's resources are best used to provide water; about how utilities are provided all over the world and how those services can

be liberalised—that has been raised in world trade talks—and about the extent to which communities can, or should, be required to make a financial contribution towards the water that they need in order to help to provide investment for others. Those are all questions with which Governments and others must wrestle, but the basic underlying facts remain undeniable and must challenge us all.

The debate in this country, which centres on questions such as the provision of bottled or tap water, what we ask for in a restaurant, whether water comes with bubbles or without, and so on, is one of luxury and must seem a world away from the roads lined with women and children as they carry their cans to some hole in the rock from which water is flowing, or to a polluted well where water is not flowing at all. By accidents of birth, they are where they are, and we are here. We cannot put everything right that we would wish to through the stroke of a pen, or the signing of a cheque, but we can individually make a difference by remembering, each time we reach for a bottle or a tap, the difficulties experienced by those who can do neither.

I hope that the "Turn on the Tap" walks will be well supported around the country. I commend Barbara Farquhar, who is promoting the walk for Churches Together in Biggleswade in my constituency on 10 May. I urge my constituents to join her and me in this and similar walks.

Will the Minister provide the Government's assessment of progress towards the millennium goals on water and explain the priority given to promoting water access in the aid and development schemes that we support? This debate has aroused interest already, both inside and outside the House, and I know from conversations with my hon. Friend the Member for North-East Milton Keynes (Mr. Lancaster) that he takes it very seriously. By and large, the subject unites the House. It is a question of how we, as politicians, as a nation and as individuals, can best deliver. The subject might be complex in the detail of how water is supplied, but in essence it is a simple matter of justice and equity and of ensuring that people all over the world have what we take for granted and have so easily available at the turn of a tap.

2.44 pm

Mr. Andrew Smith (Oxford, East) (Lab): I congratulate the hon. Member for North-East Bedfordshire (Alistair Burt) on securing the debate on what is undoubtedly one of the most important and pressing issues facing the world. I commend him on his speech, his evident commitment and the way in which he set out his arguments. I always listen carefully to arguments in the Chamber, from whomever they come, but it is rare that I agree with every word of an argument made by an Opposition Member—this is one of those occasions. I endorse what he said about the importance of pulling together across the House and other political divisions. I join him in praising all of those seeking to raise awareness and to prompt action on this vital matter.

I shall focus on two things: the work of Oxfam and the catastrophic situation in Gaza. Last week, I was very pleased to welcome the Secretary of State for International Development to Oxford. As part of that visit, we went to Oxfam and discussed with staff their excellent work focusing specifically on the challenge of water distribution. We saw the water distributor that Oxfam sends out to areas in need. It is simple to erect and operate, with buckets designed to be as easy for people to carry on their heads as possible and with tamper-proof lids. As the hon. Gentleman said, that was a humbling reminder of how arduous it is for the women and children who do much of the water collection in poor countries, and of how, in zones of disaster and war, very simple devices to allow people to get the basic essential of water can make an enormous difference to their lives, and indeed to whether they have a life.

The scale of the challenge confronting us is truly enormous, as the hon. Gentleman pointed out. According to UNICEF, more than 1 billion people drink unsafe water and more than 2.6 billion lack basic sanitation facilities. Those factors alone are the world's single biggest cause of disease. Disruption of water supplies in disaster and conflict zones, or because of climate change, is the most immediate and dangerous aftermath of catastrophe, and is a real killer, especially of children and older people.

It is greatly to Oxfam's credit, and to that of all who support it, that its single most distinctive competence in disaster relief and emergency assistance—of course, it has experience in a wide range of areas—is its expertise in assessing and addressing risks to public health, where clean water supply, along with sanitation and hand washing, is absolutely crucial. Of course, to wash hands, enough water is needed to drink first. Oxfam rapid deployment kits—with water tanks, tap stands, buckets and latrine kits, all designed for rapid distribution and easy construction—are saving hundreds of thousands of lives by getting quick help on water and sanitation to the victims of disaster. I congratulate all those involved in that vital work and the public support that makes it possible.

The big challenge for the future is to make better and faster progress towards the millennium development goal—I know that Department for International Development programmes are working on that—and towards installing, improving and replacing permanent water supply systems in poor countries, so that the revolution in public health that Britain enjoyed thanks to Victorian engineers can at last reach everybody.

What assessment have the Minister and his Department made of the effectiveness of aid and loans on infrastructure investment in water supply in poor countries? I was minded to ask that question in light of recent news about the disastrous electricity supply in Nigeria and the way in which investment there seems to have disappeared—some of it through fraud and corruption, no doubt. Are there similar problems elsewhere? Situations will vary enormously from country to country, of course, and we are all aware of instances in which it has proved much more effective to give direct assistance at a Community level or through NGOs, rather than through incompetent or corrupt Governments or local administrations. I should be grateful if my hon. Friend responds to that because we must ensure that the aid and loans which are intended to provide that most basic essential of clean water do so.

One of the worst aspects of the vulnerability of poor people to an absence of water supply is when water and sanitation, which would otherwise be available, are denied as a consequence of conflict. It is one of the

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most awful manifestations of the impact of military or terrorist activity on civilians, because it could hardly be more calculated to have the worst effects on the most vulnerable—elderly people and children.

I shall focus part of my remarks on the catastrophic situation in Gaza. Before I go any further, however, let me underline that yes, those people responsible should stop firing rockets or deploying suicide bombers against Israel, but that is not the issue in this debate. Before Hamas took over control of Gaza in June last year, Israel had already stopped spare parts for water and sanitation networks entering Gaza. Import restrictions on fuel and water equipment are leaving water-well and sewerage systems in a desperate state. Oxfam staff have visited communities that are flooded knee deep in sewage, with people marooned in upstairs rooms without water or sanitation. Although the overall situation fluctuates, in recent months the Palestinian water authority has estimated that at times as many as 40 per cent. of Gaza's population has been without a water supply.

That effective collective punishment is in breach of the Geneva convention and Israel's obligations under the international covenant on economic, social and cultural rights. I should be grateful if my hon. Friend, whom I was also pleased to accompany to Oxfam recently, could tell us what action the Government are taking to relieve that humanitarian catastrophe in Gaza, and specifically whether he and his colleagues in the Foreign and Commonwealth Office are intervening to secure entry for £10,000 worth of electrical and mechanical equipment that Oxfam has been trying to get into Gaza for several weeks as a first instalment on hundreds of thousands of pounds' worth of water and sanitation equipment, which Oxfam, the World Bank, UNICEF and other humanitarian agencies are desperate to supply. Despite the equipment having been presented for transfer by the Israeli authorities, and apparently having met the transfer requirements, I am told that it keeps getting turned back by the Israeli forces at the border. I ask him and our Government to do all they can to help get that equipment through, and more generally—whether in Gaza, Darfur or anywhere else—to make it clear that water and sanitation must not be deployed as weapons of war.

We face an enormous challenge, but as the hon. Gentleman said, the supply of water is not a matter for political division. As a nation, we—the Government, the people, charities, faith groups and everyone who is concerned about the problem—must pull together to ensure that what really is a basic necessity of life reaches all citizens throughout the world, whatever their circumstances or situation.

2.53 pm

Tim Farron (Westmorland and Lonsdale) (LD): It is a pleasure to serve under your chairmanship, Mr. Hood, and I congratulate the hon. Member for North-East Bedfordshire (Alistair Burt) on securing a very important debate. I want to say some things that are, I suppose, political, vaguely negative and possibly even critical of the situation, but in no way do I wish to break the all-party consensus. The challenges are serious and we face them together.

Every good student of British social history knows about the Rev. Thomas Malthus, who famously predicted in the late 18th century that we would all starve and run out of clean water by the mid-19th century, because, from his standpoint, we were growing geometrically population-wise, but, I think, growing arithmetically in terms of our ability to provide additional food, clean water and sanitation. The poor guy has been held up as a laughing stock for the past 230 years by A-level tutors throughout the country, and with no offence to the memory of Mr. Malthus, I should not like to see him rehabilitated in the coming years on the subject of access to clean water throughout the world. I want him to continue to be proved wrong, but I have my fears, because over the next 40 years, the world's population will increase by 50 per cent. and demand for water will increase by more than that. The sad fact is that Malthus may be proven right if we cannot find ways to ensure that all the world's people have access to that basic human right—clean and safe water.

Currently, more than 1 billion people do not have access to enough clean water to meet those basic needs—not the extravagances that we assume we need, but their basic needs. The consequences are dire, because as the hon. Gentleman said, there are 5 billion cases of diarrhoea each year among children in developing countries. That sickness is the second-biggest killer of children in those countries, and in total 2 million people, predominantly young children under five years old, die each year because they do not have access to clean water.

In this country, however, according to a recent BBC "Panorama" study, we spend £2 billion a year on bottled water, despite having access to perfectly clean and safe water—tap water. Dare I say it that in western society we have become so prissy and gullible that now we will buy water only in bottles? Although I am pleased to say that the bottled water before me is not imported, some is, and often it is even imported from developing countries. According to the BBC survey for "Panorama", those countries include Fiji, where one third of the population do not have access to clean and safe drinking water. There is something obscene about that, as I am sure we all agree.

The situation should make us ashamed. It made the world's leaders so ashamed that the millennium development goals were agreed to, including goal 7.3, which aims to halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation. Sadly, as the hon. Gentleman said, current trends show that we are off target in large parts of the world. Indeed, as things stand, we will miss it by a staggering 600 million people, and the tragedy is that in some parts of the developing world, we may even be going backwards. The United Nations millennium development goals report 2007 states that in the largest part of Africa, the absolute number of people without access to sanitation increased from 335 million at the beginning of the 1990s to 440 million just three years ago. That is outrageous, but it is not the only threat that we face, because climate change threatens access to clean water, too.

The UN estimates that as things stand, by 2080 an additional 1.8 billion could live in a water-scarce environment. The challenge is huge and it is not getting any easier. Of the 1.1 billion people who do not have

access to clean water, most cannot reach it because the provision simply does not exist. However, there is evidence, sadly, that a large minority of those 1.1 billion people do not have access to clean water because of financial constraints, and they are entirely avoidable.

To support the development of water infrastructure, many private companies have taken advantage of aid from western countries as water supplies have been extensively privatised. Hon. Members will, I hope, be reassured that I am not trying to make a gratuitously ideological point, merely a practical one. I contend that the privatisation of supply has on the whole been a failure. It has been a waste of aid money and a means of making profit from impoverished societies while denying the very poorest people access to clean and safe water.

The Secretary of State for Environment, Food and Rural Affairs, when he was the Secretary of State for International Development, made important steps forward last year when he ensured that additional support was given to enable public utilities to develop water and sanitation infrastructure on a not-for-profit basis in developing countries. However, the European Union continues to promote unfair market solutions, which can hardly be described as either fair trade or free trade. I say so as a strong supporter of that body. The Minister knows about the economic partnership agreements that would allow EU countries to have bilateral arrangements with countries that are essentially their former colonies, and which would formalise a trade-for-aid package that obligated the developing country in the partnership to open its markets to its rich European partner in return for aid. In many cases, the part of the developing country's economy that is of most interest to powerful European companies is its utilities. Therefore, water gets controlled by those aiming to make a profit from it and it is not supplied freely and safely to everybody in need.

To raise the spectre of Malthus again, the great fear is that increased world population will place even greater pressure on this precious resource, especially if it is controlled by self-interested bodies whose motivation is primarily profit. The tensions over water rights will increase. However, the tensions over the ownership of this most natural of resources have been building for many years; it is not a new thing. I suggest that these tensions are going to become worse unless we can ensure fair trade in water supply.

A story was related to me recently of the old farmer from Colorado who, just after world war two, spoke about the local private water company that had effectively removed his water rights and the rights of others in his rural community. I will not attempt the accent, but the farmer said, "Them folks in Denver, they've reversed the laws of nature: they've made water run uphill towards money."

Although we have heard that the current situation, in which a sixth of the world's population is in water need, is dire, my fear is that, without radical change and political will, which includes understanding that water is a public resource—if we do not understand that, things will only get worse—the situation will deteriorate. That is why, in redoubling efforts to meet millennium development goal 7.3, we must face up to some uncomfortable truths and powerful vested interests that lie behind our failure as a world community to meet those targets for access to safe, clean water.

3.1 pm

Mr. Michael Moore (Berwickshire, Roxburgh and Selkirk) (LD): May I be the latest in the line to congratulate the hon. Member for North-East Bedfordshire (Alistair Burt) on his impressive leadership on this issue and the fact that he has secured this debate today? In doing so, he has allowed us the opportunity to reflect on one of the biggest challenges that the world faces and one of the most important issues that we, as a rich developed country, must tackle, and we must help others to tackle it, too.

The hon. Member for North-East Bedfordshire set out at great length the underlying problems that many people face; I hope that I do not repeat too many of the statistics that he quoted, but some of them bear repeating. He was right to remind us of the gulf between the privileged position that we enjoy in the Palace of Westminster, where water is literally on tap to us for every need and every whim, and the harsh realities of the everyday lives of millions of people around the world.

I also pay tribute to the right hon. Member for Oxford, East (Mr. Smith), who rightly highlighted the work that Oxfam has done. Many other organisations, including NGOs, are also active in this field, but we understand why Oxfam plays such an important part in his view. Like the Ministers to whom he referred, about a year or so ago, I visited Oxfam's headquarters, which is a truly spectacular set-up. It is a symbol, I suppose, of Oxfam's breadth and reach and, as the right hon. Member pointed out, of the important contribution that Oxfam makes in so many different areas.

Without getting sidetracked, may I also endorse the observations of the right hon. Member for Oxford, East about Gaza? Although most of the comments today will be focused on the crisis in sub-Saharan Africa, the situation in Gaza is truly appalling, as we have said in so many debates in the House recently. It seems likely that the Minister will have a generous amount of time to reply to this debate, and I hope that he will take some time to address the points that have been made about Gaza. I have been pressing the Secretary of State for International Development and other Ministers in correspondence about the extent to which they regard Israel's response to the issues in Gaza as proportionate. I invite the Minister today to address that subject, including the comments of the right hon. Member for Oxford, East.

My hon. Friend the Member for Westmorland and Lonsdale (Tim Farron) has put things in very dramatic terms, and he is right to do so. For all the intellectual humour that there may have been at Mr. Malthus's expense over the centuries, my hon. Friend is right to remind us of the basic prediction that Malthus was making and the problems that we may yet have to laugh on the other side of our face about.

Although I do not accept every aspect of what my hon. Friend said about the role of the private sector, he is right to highlight some of the dangers of private sector involvement. It is important that we strike the right balance. We must get the private sector expertise,

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initiative and input into tackling problems like the lack of access to safe water and sanitation, but we must not tie developing countries in such a way that they are beholden to the profit motive rather than what is absolutely their first priority: ensuring that they get the access to the water and other resources that they need.

Like the hon. Member for North-East Bedfordshire, I pay tribute to the staff of Samaritan's Purse, particularly Simon Barrington, Matt Bird and the many others who have been instrumental in bringing Parliament's attention to this issue. As you will know, Mr. Hood, MPs are inundated by invitations to meet groups and organisations, both small and large, from constituents and many others. It takes a special kind of organisation and a special kind of issue to create a stand-out moment that one remembers. Meeting the guys from Samaritan's Purse a few weeks ago, I was immediately impressed both by what they are trying to do as an organisation and, even more crucially, by the fact that they were not puffing their own organisation but focusing on this issue. Through speaking to them and subsequent research, I, for one, have learned a great deal more about the issue, and I am absolutely sure that they are right to expend so much energy on it.

Again like the hon. Member for North-East Bedfordshire, I pay tribute to those who joined us yesterday on what was thankfully a fairly modest walk. It took place in reasonably clement conditions; they were a bit chillier than we might have expected and a world away from the temperature that the people of sub-Saharan Africa must cope with day in, day out. The walk, from Parliament square to Hyde park, was a good opportunity for us to reflect on what is a daily responsibility for people in many parts of the world.

MPs and Church leaders went on the walk, but I, too, was very impressed by the teachers and particularly the children of All Souls primary school. It is clearly a school that has a very outward-looking focus. I asked the children about what was exciting them at the moment, and they were still full of happy memories of a recent visit to a farm in Wales, which had obviously opened their eyes to very early starts in the morning and to some different realities of life here in Britain. More broadly, however, they were very seized of the issue that we were highlighting yesterday by that walk. We were all grateful when we reached Hyde park that, although there were quite a lot of water containers, there was not one each, so we were able to understand a little of the issue without having to endure all the discomfort and physical pain that would go with making such a walk regularly. Perish the thought that we might have to carry what we as individuals use on this estate every day.

"Turn on the Tap", Samaritan's Purse and many other organisations and campaigns are focusing on this issue and drawing particular attention to the walks that will take place around the country on 10 May. I hope that there will be a lot of support then for the different Church organisations and other organisations across the United Kingdom that are participating in this year's efforts. It is fundamentally important that we, in all our communities across the United Kingdom, are conscious of this issue and do our bit, both to raise awareness and to make a material difference to the lives of people across the world.

We have already heard many of the statistics. None the less, the fact that 1.1 billion people live without access to safe water is something that we should not tolerate. Parliamentary convention requires us to be moderate in our tone in how we conduct these debates, and quite right too, Mr. Hood; I do not intend to challenge that convention. However, the "Turn on the Tap" website quite rightly says that the fact that 1.1 billion people do not have access to safe water is an outrage. We need to get an element of that outrage into the way that we think about the problem that we are trying to tackle.

Hon. Members have already mentioned the millennium development goal, and I am sure that the hon. Member for North-East Milton Keynes (Mr. Lancaster), who is the Conservative shadow Minister for International Development, and the Minister himself will reflect on that goal, too, in due course. Although, as others have said, we are in danger of failing to meet that target, we must remember that it is not to eradicate the problem or to ensure that everyone has access to clean water, but to halve the number of people without access to it. Even if we meet that target, therefore, we will still be only part of the way towards eradicating this terrible problem, and we must not lose sight of that. Not meeting that relatively modest target would therefore be a real failure.

We are talking not just about one development goal; it is interlinked with many others. Indeed, I am sure that a case can be made for each of the millennium development goals to be linked to this issue, because if we are serious about reducing child mortality, promoting better maternal health and achieving universal primary education, we must ensure that people have access to safe water—the issue must be right up there and it needs to be ticked off as having been achieved. As the kids yesterday showed us, taking a few hours out of the day to go and collect water means that people are in no position to study or to lift themselves out of poverty. We must therefore see the issue in the round.

At the same time that we are trying to tackle these issues, we are also fighting the huge problem of climate change. As we try to mitigate the worst effects of bad sanitation and poor access to water, global warming is making the problem more acute—not just in the obvious sense that it is warmer, but because the weather is being disrupted, thus threatening what predictable sources exist. Sadly, water and access to it are increasingly a source of conflict, as we see in Gaza and parts of Africa. We can quickly get into a vicious spiral, moving further away from our goals, rather than closer to them.

The developed world has of course pledged to meet the millennium development goals, which are a wonderful focus for us all, as we seek to reach a point where we are no longer ashamed by the fact that so many people go hungry and do without water and so much else. The European Union has had its water initiative in previous years, and the World Bank has been financing a huge range of projects across the globe through the International Development Association. In recognising the need to speed up our achievement of the development goals that we are talking about, the Government have been central to the call for action,

and I hope that the Minister will continue to use that call as a focal point for all countries in the European Union and elsewhere to encourage them to recognise the centrality of those goals.

DFID has increased its funding in this area, and I, like others, pay tribute to the Government for that. How have they used the increased funding during the current year and how will they achieve their target of doubling expenditure by the end of 2011? Increasingly, particularly on health—we debated the international health partnerships in this Chamber a couple of weeks ago—we are looking at how we can focus different channels of aid and assistance through one programme or another to minimise the bureaucracy and ineffectiveness of some of the existing methods of delivery. Does the Minister see some scope for greater co-ordination and focus on the issue?

The hon. Member for North-East Bedfordshire talked about how much we learned from yesterday's walk, and I repeat his point that it was a humbling experience not only to learn so much from the children who took part, but to reflect on why we were taking the trouble to walk four miles on just one day, as opposed to every day of our lives, and not in the conditions that so many others experience. Like the hon. Gentleman, I urge people in my constituency and in others up and down the land to support the "Turn on the Tap" initiative, not only on 10 May, but in the following weeks, months and years. We should never lose sight of the fact there is an outrage at the root of this issue, and we must do something about it.

3.14 pm

Mr. Mark Lancaster (North-East Milton Keynes) (Con): It is a pleasure to be able to contribute to this important debate. If I achieve nothing else in my few remarks, I hope that I will underline the fact that sanitation and clean water must go hand in hand. All too often sanitation has been very much an afterthought, and it is vital that the two issues are considered in partnership.

I start, however, by congratulating my hon. Friend the Member for North-East Bedfordshire (Alistair Burt) on securing this important debate. He did a marvellous job of outlining the issues and opening the debate. I also compliment the right hon. Member for Oxford, East (Mr. Smith) on his excellent speech, which highlighted not only the good work of Oxfam in his constituency, but the contribution that other non-governmental organisations make. In addition, I congratulate the hon. Member for Westmorland and Lonsdale (Tim Farron) on his informed speech, which highlighted the impact that not dealing with this problem can have on health. He also made some interesting remarks about the role of the private sector, to which I intend to return. Finally, the hon. Member for Berwickshire, Roxburgh and Selkirk (Mr. Moore) once again made a very good speech, and I take this opportunity to commend him on tabling early-day motion 897, which in recent weeks and in the run-up to today's debate has done much to highlight the concern about the issue.

This is a timely debate, not least because 2008 is the United Nations international year of sanitation. As we heard, yesterday saw the "Turn on the Tap" four-mile walk, with my hon. Friend leading the way. That event highlighted the average distance that people have to walk every day to fetch clean water so that they and their families can drink that day. My hon. Friend and other hon. Members highlighted the fact that the distance travelled by such people—the majority of them women—is just one of the many negative impacts that the lack of access to clean water has on people in developing countries. Indeed, the impact on health of the lack of access to clean water and basic sanitation is staggering. Various statistics have been quoted, but the fact that every 20 seconds a child dies because of the lack of clean water and sanitation is frightening. That amounts to 1.6 million children under the age of five dying each year because of unsafe water and inadequate hygiene.

It could be argued that when the international community signed up to the millennium development goals, clean water and sanitation were not seen as sufficiently important to appear as one of the eight main headline goals. The issues before us are covered in MDG 7 on ensuring environmental stability—in MDG 7.3 to be precise. Following the 2002 world summit on sustainable development, however, the world woke up to the crucial role that access to clean water and sanitation can play in helping us to reach the MDGs. In the same year, at the UN special summit on children and the second and third world water forums, three new goals were set for the international community. The first was to halve the proportion of people without sustainable access to safe drinking water by 2015. The second was to halve the proportion of people who do not have direct access to basic sanitation by 2015. The final goal was to equip all schools with sanitation and hand-washing facilities, also by 2015.

Unfortunately, it has been widely recognised, and DFID has been candid in admitting—I therefore hope that the Minister will take this criticism on the chin; I assure him that it is the only criticism that I shall make of his Department today—that just as the world was waking up to the importance of water and sanitation, DFID was, unfortunately, restructured and has been criticised for either taking its eye off the ball. Dr. Darren Saywell of the International Water Association said:

> "A major watershed, in my opinion, in 2002 occurred just after the World Summit on Sustainable Development when DFiD restructured itself and a lot of the impetus and momentum that went into water and sanitation was lost at that time."

To be fair and balanced, however, it is clear from the 2006 White Paper that, having identified sanitation as one of the four essential public services for the MDGs, and having recently increased its financial commitment to water and sanitation, the Department has attempted, and continues to attempt, to re-establish its lead on this issue. I am convinced that, with continued effort, it will do that.

Despite DFID's renewed interest, which I commend, progress towards the goals remains painfully slow. A recently published World Health Organisation report estimated that the sanitation component of the MDG sanitation targets faces

> "a projected shortfall of 550 million people in 2015 from target achievement."

As of today—the figures are worth repeating—an estimated 1.1 billion people still do not have access to

[Mr. Mark Lancaster]

improved water supplies, and 2.4 billion do not have access to any type of improved sanitation. I am sure that the Minister agrees that that simply is not good enough.

It would cost an estimated $42 billion to achieve the goal of providing clean water to half of those who currently go without it, and $322 billion to maintain the current clean water system. Likewise, it would cost $142 billion to halve the number of people who do not have access to basic sanitation, and $216 billion to maintain the current sanitation systems in developing nations. That adds up to spending a staggering $72 billion a year up to 2015 to achieve those goals. Although I commend DFID's uplift in spending, with figures like those, it will take a combined effort from all the nations that have signed up to achieve those important goals. I hope that whichever party is in power, the UK will continue to take the lead.

Last year's report by the Select Committee on International Development, however, highlighted the fact that money alone will neither provide toilets and taps for the billions of people who currently lack access, nor drive the demand and change of behaviour that are required to provide sustainable uptake. The rush to spend money can have unintended consequences, of which I have personal experience. In 2006, I spent some time as a military engineer in Helmand, where I worked alongside DFID to deliver quick impact projects. In our desire to deliver those projects, to show people on the ground how the Government were beginning to make a difference to their lives, we made mistakes. I have raised this issue before in the House. We dug so many new wells in Helmand province without conducting proper water surveys that we ended up lowering the water table, and as a result the ancient karazes that brought water off the mountains no longer flowed. That is a clear example of how we can rush in and spend money to help a community, but instead have a long-lasting negative impact on that community. I hope that we have learned from such lessons.

Last week, I was in Guatemala—as an aside, I must tell the Minister that many non-governmental organisations there fear that DFID is turning its back on that country—where I was fascinated by a water project there. A local community managed to raise enough money to bring a 35 km pipeline into its village. Unfortunately, however, it was forced to bring the water through surrounding communities, many of whom were jealous that the pipeline was going through their communities but not serving them. The project took three years to be established because communities along the pipeline were simply smashing the pipe out of jealousy because they were angry that they had no access to the water it carried, while other communities did.

What have we done and what should we be doing? DFID's website states that the targets

> "are central to DFID's approach to poverty reduction and sustainable development."

It also recognises that, on current trends, the

> "sanitation target will be missed in both Africa and Asia by almost one billion people."

To be fair, the rhetoric is good, but actions and global leadership are needed if we are to achieve what we set out to do. DFID is taking steps in the right direction: it has committed to increase its spending on essential public services such as water, sanitation, health, education and social protection in at least half of the UK's direct support programmes in developing countries. In addition, as I have said, it will double its support for the provision of water and sanitation in sub-Saharan Africa to £95 million a year by 2007-08, and more than double funding again to £200 million by 2010-11. Perhaps the Minister will confirm those figures and give an update on our progress toward the 2010-11 figure.

We must also consider carefully how the private sector can help in delivering essential services such as water. I return to the point that the hon. Member for Westmorland and Lonsdale made. It might well be damaging for water supply to remain a monopoly of the state in countries where the state is manifestly failing to deliver adequate services to its citizens. Well managed privatisation could help to expand access to clean water and to save lives if—I emphasise "if"—there is proper supervision, regulatory bodies and contract enforcement. What is the Minister's assessment of the merits of greater private sector participation in service delivery in developing countries?

Aid predictability is one concern that is repeatedly raised with me when I visit NGOs in the field, as in Guatemala last week. Of course, political situations change in countries, and that may affect funding streams. In Nepal, which I hope to visit next month to monitor the elections, the Department has cut its water and sanitation budget from £4 million in 2003 to just £1.9 million in 2007-08. Its failure to provide long-term, predictable and co-ordinated finance in those sectors is clearly detrimental to achieving success in such projects. What steps is the Minister taking to meet the criticisms of his Department in that regard?

The Select Committee has made it clear that we must do more than improve the predictability of funding streams. The hon. Member for Westmorland and Lonsdale highlighted some of the problems of tackling killer diseases. Spending money effectively can achieve disproportionate results in the provision of access to clean water and sanitation in developing nations, but, as I have highlighted, money is not the solution to everything. Unfortunately there remain significant barriers to progress on sanitation. For example, access to clean water and basic sanitation seldom features prominently on national political agendas, and people still attach a higher priority to water than to sanitation, even though the two go hand in hand. Unfortunately, factors such as prestige and convenience rank above health as a motivation for people seeking improved sanitation.

The interconnecting nature of the MDGs has been highlighted, not least by the hon. Member for Berwickshire, Roxburgh and Selkirk, but by helping to provide clean water and basic sanitation, we can provide a catalyst unlike any other to build a platform from which to achieve other MDGs. For example, we can do a huge amount towards MDGs 2 and 3—achieving universal primary education and promoting gender equality and empowering women. If young girls and women do not have to walk four miles every day, they are more likely to have the opportunity to partake in some sort of educational programme. In turn, as the Select Committee points out, girls who have been educated have improved

maternal health, which relates to MDG 5, and are twice as likely to stay safe from AIDS, which relates to MDG 6. Of course, improved access to clean water would also help to reduce diarrhoea and water-borne diseases, thus reducing child mortality by an estimated 30 per cent., which relates to MDG 4.

Finally, I want to touch on the links between water and agriculture, which is the biggest consumer of water in developing countries, accounting for 70 to 90 per cent. of water consumption. As water availability becomes increasingly constrained, perhaps as a result of climate change or population growth, countries will have to make increasingly difficult decisions on how much water they can afford to use for agriculture. However, as several NGOs have pointed out, this appears to be the one area that DFID's water strategy still does not address adequately. When he winds up the debate, will the Minister touch on that important matter and, in particular, say how his Department's water strategy links with helping to achieving MDG 1, which seeks to halve the number of people who suffer from hunger?

In conclusion, it is clear from today's debate that there is consensus across the House that although we are definitely moving in the right direction, there is slight frustration at the pace of progress. More can—indeed, must—be done if our aim of meeting all the MDGs by 2015 is to be a realistic one. I end with a quote from the former South African Development Minister, Ronnie Kasrils, who said:

"Water is the source of life. We cannot think about developing our people if we fail to provide them with a basic supply of water".

3.29 pm

The Parliamentary Under-Secretary of State for International Development (Mr. Gareth Thomas): I join others in congratulating the hon. Member for North-East Bedfordshire (Alistair Burt) on securing the debate in tandem with the hon. Member for Westmorland and Lonsdale (Tim Farron) and my hon. Friend the Member for Stroud (Mr. Drew). It is helpful that in the run-up to world water day on 22 March we have the opportunity to debate water and sanitation.

I join the hon. Member for North-East Bedfordshire in congratulating those who organised the walk and those who took part in it—the religious leaders, parliamentarians and the children and teachers of All Souls school. I regret that I was not able to take part, but I join him in commending the work of Samaritan's Purse in organising the "Turn on the Tap" walks. I join others in encouraging the many different walks that will be organised on 10 May and hope that they have as much support as possible from our constituents.

My right hon. Friend the Member for Oxford, East (Mr. Smith), who has the Oxfam headquarters in his constituency, rightly highlighted the excellent work that Oxfam does on water and sanitation. He raised a series of other points that I will return to.

The hon. Member for Westmorland and Lonsdale rightly noted the huge significance of making progress in this area for improving health and achieving millennium development goals. He also rightly raised the issue of population growth. I had a sense of the dramatic relationship between population growth and a lack of access to water when I visited Yemen and talked to Ministers in the capital, Sana'a, about the huge challenges that they face. The population of Sana'a continues to grow ever greater and engineers are having to dig ever deeper to find water resources for the people of the capital. Such is the pressure on water resources that some in Yemen are starting to wonder whether the capital will have to be moved to the coast.

The hon. Member for Berwickshire, Roxburgh and Selkirk (Mr. Moore) raised a series of questions that I will come to, some of which echoed those of my right hon. Friend the Member for Oxford, East.

The hon. Member for North-East Milton Keynes (Mr. Lancaster) raised two issues that I want to address at the beginning of my remarks. He spoke of the importance of making progress on water and sanitation if we are to ensure that much of the discrimination that girls and women face in developing countries is addressed so that girls, for example, get access to school. From one of my visits to northern Malawi, I remember the experience of a grandmother who looked after a series of AIDS orphans in her village. She had to walk or organise the children to walk over a mile each way to get water from the nearest river. He also rightly raised the importance of the international year of sanitation in giving focus to the need for change to the current shocking lack of access to good sanitation for people in developing countries.

My right hon. Friend the former Secretary of State for International Development, now Secretary of State for Environment, Food and Rural Affairs, sought in November 2006 to galvanise the international community to give greater attention to water and sanitation when he published the case for a global action plan on it. He set out five key targets for progress on water and sanitation across the developing world. I will come on to say where we have got to on those five elements.

In seeking to reassure the House that the Department for International Development continues to take this issue seriously, I draw attention to the water resources forum that we held yesterday, with not only our own staff, but academic experts, civil society representatives who are working on these issues, UN organisations and a variety of other stakeholders. We share the view of all hon. Members who have spoken of the essential truth that access to safe, affordable water is a human right. We share the outrage of the House that in this day and age, more than 1 billion people still do not have safe water to drink. Indeed, half of the populations in developing countries do not have access to even a basic toilet. I share the resolve of hon. Members that we simply cannot allow that to continue.

We believe that we will meet our existing promises on spending and the future promises that have been made going forward to 2010-11. To recap, in March 2005, we announced that we would double spending on water and sanitation in Africa from £47.5 million to £95 million by 2007-08. Based on current estimates, we will meet that target. The hon. Gentleman alluded to the fact that we also said that we would double that spending by 2010-11 to achieve a figure of £200 million. It is early days for spending in Africa, but I am confident that we will meet that target.

Alistair Burt: I am grateful to the Minister for the way in which he is dealing with the issues that have been raised. However, no one is querying the amount

[Alistair Burt]

of money that is being spent; that is not the issue. The issue is whether there is evidence—bearing in mind the progress report on the millennium development goals—that the money is being spent effectively and whether we are moving towards our targets. The good will and the intentions of the world community cannot be doubted, but we must ensure that progress is made, and in view of the progress report, there is a query about that. For all the money being spent, is the Minister confident that enough change has been made in how it is being spent and in the processes of providing water, so that there will be better progress towards meeting the target and we do not fall short of it?

Mr. Thomas: I cannot currently give the hon. Gentleman that assurance. We are barely on track to meet the millennium development goal on water and we are certainly off track in achieving the target on sanitation. As the hon. Member for North-East Milton Keynes alluded to, sub-Saharan Africa is seriously off track against the water and sanitation targets. It is that lack of progress that my right hon. Friend the former Secretary of State sought to challenge in setting out the case for more global action on water and sanitation.

To give the House hope that the situation will continue to change, I give the example that in the 15 years from 1990 to 2005, more than 1.2 billion people gained access to water supply and sanitation services. We know that progress has happened and that it is achievable when the Governments of developing countries, international donors and a variety of other players in developing countries work together to accelerate progress. I hope to say a little about how some of the resources that we are spending in developing countries have made progress and will make further progress.

I will briefly dwell on some of the broader points that have been raised by hon. Members in noting that simply providing safe drinking water and better sanitation would drastically cut the needless loss of life in poor countries. As I said, the hon. Member for Westmorland and Lonsdale was right to highlight that poor people are the least able to deal with the ill health that is caused by unsafe water and how a vicious circle is often created. The water used by poor people is too often contaminated or polluted. That can result in sickness and the medical costs increase the level of debt that they experience, making them less likely to be able to work or send their children to school. Improved access to water and sanitation breaks that cycle. Indeed, hon. Members alluded to the huge economic benefits of access to safe water. Millions of working days are saved and can be achieved, and millions of children, particularly girls, can attend school, with all the resulting economic benefits for the country, as well as the individual. As I said, it is women and girls who have the biggest responsibilities for providing water for drinking and cooking, and for ensuring family hygiene. We need to continue to tackle that implicit discrimination.

It is worth noting a point which I do not believe has surfaced in the debate thus far. By 2025, more than two thirds of the world's population will live in water-stressed countries, so the way in which water is shared and used will be critical. The importance of that will be further heightened by an increasing population, by the urbanisation that is taking place, by the increased economic growth that is needed and by the growing challenge of climate change. All those factors will combine to make stress around access to water all the more important. Therefore, we must work with countries to help them strike the right balance between water for growth, for people to live healthy and productive lives, and, crucially, for keeping ecosystems in good shape. If people cannot do that, their long-term development will be threatened.

In order to do that, change is needed, not just within the international community but within developing countries as well. Some developing country Governments, but by no means all, do not pay enough attention to what poor people in their country say, or respond to their needs. As a result, they do not provide enough finance for water or ensure that it is not just the wealthy, the influential and the privileged who are well served in respect of access to water and good sanitation. All too often, we see in some developing countries that the funds to maintain water and sanitation systems and to keep them operating are simply not in place. Forty per cent. of the boreholes in Africa are not working simply because they need to be repaired. They could provide access to water, but they do not because they have not been repaired. That speaks to a broader point about the lack of good governance in water sectors in developing countries. That is a key point on which we are working.

I alluded to the call that my right hon. Friend the former Secretary of State made in November 2006. In essence, he called for five key elements—five "ones"—to change. At the international level, he called for one international monitoring report and for one international meeting to chart progress on access to water and sanitation, and to explore what else needed doing. In developing countries, he called for one national water and sanitation plan—not a plan for how each donor would spend their money, but one clear national water and sanitation plan that everybody would get behind.

My right hon. Friend also made clear the need for all the different donors in country to come behind the leadership of one clearly designated UN agency, be it UNICEF, the World Health Organisation or something else, and support the water plan. One UN agency would take the lead.

In country, there should be one water and sanitation monitoring group of donors—not groups of donors deciding what they thought needed to happen, but all donors coming together. That may seem like common sense to hon. Members, but the sad reality is that it has not happened in many countries to date. There has often been a series of international meetings and a series of reports, and, in some years, no report. We are funding the first international monitoring report, which should be published shortly. We expect to have an opportunity to debate its implications at an international meeting that will take place in September.

In respect of the three ones principle, we are working in Ethiopia, Sierra Leone, Tanzania, Mozambique and Bangladesh in supporting one national water and sanitation plan, seeking one UN agency to take the lead and ensuring that there is only one meeting of donors in country. In addition, we have identified three critical areas for progress over the next 12 months.

Sanitation has been a taboo issue for too long. That point was made by the UN Secretary-General and was repeated yesterday at the water resources forum. International donors need to do more about sanitation both internationally and in developing countries directly. We are directly supporting the international year of sanitation to make that happen.

We need to do more to manage water resources better, and we will prioritise resources and time to achieve that purpose. We must consider how we can ensure that water services are better delivered to the poor. That will be done partly through the three ones principle that I alluded to, but also by ensuring that money goes directly to where it is needed.

I shall give some examples of the progress that we are making and the benefits that are being achieved with British development assistance, provided by my Department. We have approved new funding of some £75 million over five years for water and sanitation in Ethiopia. We are confident that some 3.2 million Ethiopians will benefit from that spend, but between now and 2015, 300,000 more people need to get clean water and 450,000 more people need to get basic sanitation every day if we are to meet the millennium development goals. That is a huge challenge for the international community, and it is why, when the hon. Member for North-East Bedfordshire intervened on me, I could not give him complete confidence that we would meet the targets. However, we seek to do everything that we can to raise the importance of these issues.

A new global sanitation fund has been launched, in part as a result of the leadership of the WHO, to try to help communities build toilets and improve hygiene, and we have committed £1.5 million over the next three years to that fund. Other donors have pledged funding as well, and we will work on maximising the impact of the fund.

I mentioned that we need to do more about water resources. Yesterday, at the water resources forum, I was able to confirm our continuing support for the Nile basin initiative, which is an example of co-operation to manage shared waters, and to encourage the peace and stability that underpin economic growth in the region. The countries that are part of the Nile basin have a combined population of some 300 million, and they are among the poorest and most water-starved people in the world.

Hon. Members who know a little about the Nile basin will recognise that there is a history of tension between the countries in the area and that water has been the source of some of that tension. Good water-basin management in the region is essential, given the importance of climate change, to ensure that those countries continue to work together. We have committed £6 million to date to the Nile basin initiative, and yesterday, I was able to pledge a further £8 million to ensure that the initiative continues.

Similarly, many hon. Members will have seen the weekend coverage of the pace of change in the melting of Himalayan glaciers. They provide water for 1.6 billion people, and it is estimated that climate change could cause them to disappear in as little as 25 years, which is within the lifetime of most of us in the Chamber. Countries must work together to determine how they can manage and better share the water resources in those areas. It is a volatile region, and we want to ensure that water is not a source of conflict or volatility. A south Asia water initiative has been launched to catalyse greater co-operation between countries, and we have pledged £500,000 to that initiative.

Alistair Burt: May I pick up a matter that my hon. Friend the Member for North-East Milton Keynes and the hon. Member for Westmorland and Lonsdale raised? Do the Government have an ideological position on the privatisation and liberalisation of water resources, or do they take a pragmatic view? I am aware that there are ideological extremes on both sides. Some NGOs and others categorically refuse to accept any privatisation, and some on the free market side propound that at every step. I have been convinced by neither political extreme, and I hope that the Minister takes a practical view. Do the Government have an ideological position on the increasingly important question of how, with all the money and projects, those resources are managed between the public and private sectors to deliver supplies?

Mr. Thomas: No, the Government do not have an ideological position on whether the private, public or third sector delivers water access. We work with all three sectors in different forums, from NGOs and public utilities to private water providers, as well as international and, much more at the moment, local private bodies. I perhaps take issue with the hon. Gentleman's question, because I believe that there is not enough financing for water supply and sanitation at the moment. We must galvanise much more interest from private and third sector organisations, such as NGOs and international organisations, as well as aid donors generally, if we are to maintain progress to achieve the target.

Where public utilities are in place and Governments decide to bring in the private sector, the quality of regulation by Governments directly in country will determine the effectiveness of those responses. That relates to my point about the importance of our continuing to focus on the governance of the water sector, how regulation is achieved and ensuring that it is delivered effectively in the interests of the poorest people.

My right hon. Friend the Member for Oxford, East asked about the water supply in Gaza. I confirm that we have committed some £1.5 million to the rehabilitation of Palestinian water and sanitation services through the temporary international mechanism. We estimate that that will benefit up to 1.5 million people by funding essential operations, maintenance and repair work.

My right hon. Friend highlighted a specific difficulty that Oxfam is having with the delivery of water-related equipment to the Palestinian territories. I hope that he understands that I must look into the matter. I will take it up with my Foreign Office colleagues, and write to him to explain the steps that we are taking to address Oxfam's problems.

I hope that I have addressed the points made by the hon. Member for Westmorland and Lonsdale about population growth. I recognise that it is a huge issue.

On the role of the private sector, as I indicated to the hon. Member for North-East Bedfordshire, the Government do not have an ideological view. There are examples of the international private sector being a

[Mr. Thomas]

considerable force for good, but there are also examples of it going wrong. The lesson that I draw from that is that we must look at what works, understand the lessons when things have gone wrong and ensure that they do not happen again. This is about the quality of regulation in country, which is why delivering better governance of the water sector through our aid is important.

The hon. Gentleman mentioned the role of economic partnership agreements. They will be a force for good in helping to achieve economic growth. I spent a considerable amount of time talking to trade Ministers from the four African regions and the Caribbean region about how EPAs are being implemented in practice and how the negotiations are going. All the trade Ministers to whom I spoke wanted to sign an economic partnership agreement. Some had specific concerns about particular issues, and we and the Commission are seeking to address those concerns in the run-up to the 31 December deadline. I believe that EPAs for those countries that do not have least developed country status will deliver significant benefits by allowing duty and quota-free access for goods from those countries into European markets, and the simplified rules of origin will make a substantial difference.

The hon. Member for Berwickshire, Roxburgh and Selkirk asked whether I thought that Israel's response was proportionate. He will have noted the response of my right hon. Friend the Secretary of State to his questions last week, and the joint work of the Secretary of State and the Foreign Secretary in highlighting to Israel when we have thought that their actions were not proportionate.

The hon. Gentleman also referred to the EU water facility, which, after some initial problems, is now working effectively and bringing greater attention to water and sanitation. It has considerable potential further down the line.

The Prime Minister has described the situation this year—half way to the millennium development goals—as an MDG emergency. We face huge challenges on water and sanitation, but we are making progress in achieving all the millennium development goals. We are seeking to work with a range of countries internationally to reignite interest and momentum in the efforts to achieve those goals. That effort will climax at a meeting at the UN General Assembly in September, and we are working with a substantial number of European colleagues.

The hon. Member for North-East Milton Keynes raised the important issue of the predictability of funding streams. That is one reason why, in the right circumstances, budget support is essential. NGOs, such as WaterAid, Oxfam and Samaritan's Purse, are a huge force for good in the areas in which they work; but if we want every area in country to have good access to water and sanitation, good schools and good health care facilities, we must build up the ability and capacity of Governments in developing countries to deliver that. That is why budget support is important, albeit in the right circumstances.

This has been an important debate, given the proximity of world water day. I hope that, with our water policy update, which we published yesterday, right hon. and hon. Members will be confident that we are continuing to deliver on our promises.

Forestry Commission

4 pm

Mr. Christopher Chope (Christchurch) (Con): This debate is taking place at the same time as the major debate in the main Chamber on post office closures. Both debates have a common theme: the perceived unwillingness of public corporations—in the main Chamber debate the Post Office and in this Chamber's debate the Forestry Commission—to listen to and respond to public concerns and to be properly accountable. I have initiated this debate to seek the intervention of the Minster, whom I welcome to her place, on a local issue of vital importance to my constituents which, if left unaddressed, will undermine the good relationship between the Forestry Commission and the people of east Dorset.

I start with a quote from the Forestry Commission's website. The Forestry Commission states that in its remit it has

"a commitment to make local communities a priority in the way public forests are managed... England's Forestry Minister pledged that local people will have an even greater involvement in decisions which affect their community."

When the Minister has heard what I have to say, I hope that she will reach the same conclusion as I have that that pledge, made in her name, is not being delivered.

Last summer, the Forestry Commission invited tenders for a contractor to extend the annual programme of forest concerts. It included reference to a potential new site in Moors valley in east Dorset. At Moors valley there is a very successful country park, run by the district council in partnership with the Forestry Commission. In January, however, it became apparent that the proposal was not to use the existing country park, but to create a completely new, purpose-built concert venue for 5,000 spectators and 2,000 cars by cutting down 15 acres of woodland in the heart of Ringwood forest.

Ringwood forest, unlike a lot of other concert venues used by the Forestry Commission, is surprisingly close to a residential neighbourhood. That is probably why there has been such reaction to the proposal, which is rather different to the reaction to similar Forestry Commission proposals. When local people heard about the proposal through their parish council, their reaction was one of horror and stunned disbelief. Lots of questions were asked, such as "Why does the Forestry Commission wish to destroy the peace and tranquillity of Ringwood forest at summer weekends and subject local residents to the noise and nuisance generated by rock concerts?"

The initial justification, gleaned from the Forestry Commission website, was a desire

"to take the importance of woodlands to new audiences and make them relevant to people in new ways."

In the vicinity of Moors valley, Ringwood forest, Avon heath country park and the New Forest, there is no need to invite people to the forest to find new relevance in the importance of woodlands. People are already aware of that, and they have plenty of opportunities for public access and recreation. That comment on the website as a justification for the proposal was greeted with a lot of scepticism. Local people pointed out that Somerley park, which is less than two miles from the proposed venue, is an existing privately owned facility at which concerts have been successfully held. It also has the advantage of better and safer vehicle access, without the need to cut down 15 acres of woodland.

In the past few weeks, the horror, disbelief and scepticism has turned to intense anger. It is impossible to overstate the extent to which local people are incensed by the proposed intrusion into their treasured local forest environment. The St. Leonards and St. Ives parish council convened an extraordinary general meeting, which was packed to overflowing, with more than 300 people inside the hall and others standing outside in the rain. The Forestry Commission representative failed to answer the concerns raised. At the end of the meeting, a vote was taken that overwhelmingly rejected the proposals. By overwhelming, I mean that two people supported the Forestry Commission proposal.

The Forestry Commission has manifestly failed to address the inconsistencies inherent in its proposal—for example, the incompatibility of removing 15 acres of forest to create a car park for 2,000 cars with the Forestry Commission's climate change credentials. I am sure that the Minister is as concerned about that as I am. The Forestry Commission has said that no alternative venues are available, but we know that there are. The Forestry Commission has asserted that it wants to work closely with local people, yet it has made such an unpopular proposal.

On 6 March, the chairman of the Forestry Commission responded to a letter that I sent to him on 13 February. He delayed his response to enable him to report the outcome of the meeting. However, it will not surprise you, Mr. Hood, to learn that I had already received an extensive report on that meeting. The chairman said that the public meeting

"did confirm that there was considerable opposition to the proposal, but the issues raised were not unexpected."

He said that other possible sites for a concert venue had been considered, but land tenure, among other things, was a problem. The problem was that the other sites for concerts, including ones to which I have already referred, were not owned by the Forestry Commission—in other words, the Forestry Commission would not be able to profit from the activities that took place on those sites. The Minister smiles knowingly. Perhaps she recalls a time when, under a Conservative Government, there was discussion about the possibility of privatising the Forestry Commission. The strongest argument against such a privatisation was that it would lead to all sorts of undesirable commercial activities if the forests were taken into private ownership. Ironically, that is exactly what seems to be happening under the Forestry Commission while it still remains a nationalised body.

On the number of concerts, which was mentioned in my letter, the chairman of the Forestry Commission offered some reassurance, saying:

"Even on our most popular and longest established venues, they only host two weekends of concert events each year."

He omitted to say that three venues—Delamere, Thetford and Cannock Chase—now have weekend festivals that go on for three days: Friday, Saturday and Sunday. That may not be so bad when people do not live close to a venue—some of those forests, Thetford in particular, are very large and dense—but a three-day festival at the Ringwood forest site would give local residents the prospect of a long weekend of hell.

[Mr. Christopher Chope]

The chairman of the Forestry Commission went on to say:

"At the present time we have not heard any overriding reason why we should not continue with our plans in view of the benefits that the wider community stands to derive from the project including the reinvestment of the revenue generated back into improving the land we manage."

On examination, however, it appears that the only benefit to the wider community is the profit that the Forestry Commission will make. There is no benefit to the local people in providing them with a concert venue when they already have one. I do not know how familiar the Minister is with the location, but it is not too far to the Bournemouth International Centre, which hosts the largest rock concerts in the country, and it is very close to a lot of other open-air stadiums.

If the only issue for the Forestry Commission is profit, how much will it make? Yesterday, a Forestry Commission staff member told a meeting in Verwood that for just one concert the gross income would be £150,000—from selling 5,000 tickets at £30 each—and that the net profit would be £15,000. My constituents are not spoilsports. They are proud to host round 1 of the Pirelli Motor Sports Association National Gravel Rally championship, which took place over 40 miles of Forestry Commission roads largely in my constituency in February this year, as it has for the past 20 years. The commission benefits from the event because it charges £600 per mile for the use of its forest roads, making a profit of £24,000. The event is called the Rallye Sunseeker—it is sponsored by Dorset's largest employer—but it takes place in the winter and, in contrast to the proposal for Ringwood forest, it is designed to work with the needs and desires of local people. The money raised by the commission from the event is meant to be reinvested in the locality, although I have been unable to find any hard evidence that that has happened.

The commission also profits from the Moors valley car park, the income from which is shared with East Dorset district council, so it is already making profits or income from commercial activities in my constituency, if indeed money is the root of the problem. At a meeting, Mr. Rothnie of the Forestry Commission said that it is all about money. He said that if he could not raise the money from the proposed project, he would have to raise it from somewhere else. The question is, is it worth alienating local people for the sake of £10,000 or £15,000 per concert? I think not.

A letter sent to Mr. Rothnie by a local resident, Dr. Jonathan Edwards, who is a member of the parish council, asks:

"Is it worth alienating the local community for such a sum? I have also indicated that should the Forestry Commission listen to the local residents and take their feelings into account and withdraw their proposal, I would be prepared"—

as I am sure others would—

"to get together...and form a local residents group in order to find ways of generating income from activities which do not involve concerts...I hope we can bring this matter to a satisfactory conclusion for all concerned and move on in a constructive manner rather than compound the divisions between us in a long and protracted fight through the licensing and appeals process".

The Minister may be aware that such a long and bitter dispute involving licensing is exactly what happened in Cannock Chase. In the end, it cost the Forestry Commission £50,000 and the local council £25,000 in fees and generated a lot of animosity. We do not want that to happen in this case; instead, we want to get people talking to each other to find a common way forward.

The commission has discovered that there is a lot more money to be made out of promoting rock concerts than from planting and managing woodland. I am not surprised or concerned about that. However, one of the pop concerts being organised is Status Quo, and I was concerned to read that tickets for the Cannock Chase concert that were put on sale for around £30 in January and February are now on sale on the web black market for £80 or £90. That sort of activity causes my constituents a lot of concern. If there is a concert that is so popular and over-subscribed that people will do anything to get into it, what is the point of having a concert in a venue that is not self-contained, as many venues are, and that will generate an enormous amount of traffic from all over the country, to the detriment of local amenities?

There is stunned disbelief at the proposal and intense anger and frustration at the seeming intransigence of the Forestry Commission. I am going to see Mr. Seddon, the deputy surveyor of the New Forest next week. I hope, in the light of what the Minister says, that the meeting will be held in a constructive spirit and that there will be a desire to find an alternative way to raise funds for the commission locally, in addition to what it already raises. Otherwise, I fear that the prospects of the people of east Dorset working as closely with the commission in future as they have in past will be damaged. I look forward to hearing what the Minister is able to say to pour oil on troubled waters.

4.16 pm

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Joan Ruddock): I congratulate the hon. Member for Christchurch (Mr. Chope) on obtaining the debate, which is on an important subject and of great concern to his constituents. The picture he painted was so grim that I have difficulty promising to pour oil on troubled waters, but I shall attempt to put the rock concert proposal, as he called it, into some context.

The management of a 260,000 hectare public forest estate is a significant part of the commission's work. It aims to manage that on behalf of the nation sustainably, to contribute to the economic, social and environmental objectives of the Government's strategy for England's trees, woods and forests. It is not primarily a commercial enterprise; it carries out commercial activities, but it is also required to provide a wide range of public benefits. It might be helpful if I mention some examples of those benefits.

The commission is England's largest provider of countryside recreational opportunities. Almost the entire forest estate is dedicated for public access on foot in perpetuity under the provisions of the Countryside and Rights of Way Act 2000. It has a significant role in enhancing biodiversity by working to bring into and maintain in a favourable condition more than 64,000 hectares of sites of special scientific interest on the estates. It makes great efforts to improve the ancient woodland—one of our most valuable habitats—

through the removal of non-native conifers and the regeneration of native broadleaf trees. It restores open habitats, including lowland heath and upland mires, where that can make a greater contribution to enhancing biodiversity than the plantations that are being removed.

Over the years, the commission has changed, as have its funding sources, which include Government funding, commercial activities, partnerships and the sale of surplus assets, the proceeds of which have been reinvested. As the hon. Gentleman knows, all Departments are required to maximise the return on their assets, consistent with their objectives. The commission is allowed to sell areas for development when that is in the public interest, the pursuit of which objective has resulted in income of £30 million over the past 10 years, which is significant. The sale of sustainably harvested, independently certified timber, for example, is running at around 1.5 million cu m per year, which makes up around half of the commission's operational income, so it is not true that it has decided that it is more profitable to organise rock concerts than to deal with the proper business of the woodlands.

The remainder of the commercial income comes from a wide variety of sources, as we would expect of any major landowner that seeks to make good use of the assets at its disposal. There are some recreational activities that have a commercial element, including mountain biking for which bike hire franchises are let. In addition, there are catering franchises, shops at visitor centres and, of course, an annual series of live music concerts.

That brings me to the heart of the debate: the proposal to create an events area in Ringwood forest, which is planned to be used on one weekend a year for live music and for the occasional community event. I reassure the hon. Gentleman that there are no weekend festivals such as he described at Forestry Commission venues. No facilities are provided for people staying overnight at any of the venues at which it holds concerts. In fact, the sites that he mentioned have three separate events; there is no continuous festival, and there are no plans for one.

Mr. Chope: Does the Minister accept that although there may not be a festival similar to the Glastonbury or Isle of Wight festivals, having three rock concerts on successive evenings means that the weekend becomes a festival? That means that people come to the area, camp out overnight and cause nuisance. Is that not the problem?

Joan Ruddock: I have absolutely no evidence that that is what happens or of any complaints, but I shall check, and if there is any information that I can usefully share with the hon. Gentleman on that point, I shall be happy to do so.

Live music in the forest is not new. The commission has been hosting concerts for the past seven years and has a good record of understanding how to do so in a way that is compatible with the interests of the forest and with being a good neighbour. Last year, more than 120,000 people enjoyed a concert programme spread over seven Forestry Commission venues around the country.

It is not right to claim that Ringwood forest was chosen at random, as though proper consideration were not given to the decision. As the hon. Gentleman said, other sites were examined, including Moors valley. I understand that the decision about Moors valley was based on two factors: the country park is already extremely busy, so it would have been difficult to accommodate additional events, and it would be difficult to separate a concert event from the users going about their normal visits to the country park. For that reason, the consideration ended in the decision that that would not be an appropriate venue.

Ringwood forest, however, is entirely appropriate for many reasons. The final choice took into account the experiences of other venues and the planned future management of the forest. That is an important point, because there is always change in forests, and there are always management considerations. In the case of Ringwood, that includes moving from the existing plantations to a more diverse mixture of pines and native woodland, interspersed with open space, including swathes of heathland. In that forest, as in many others, trees are cut down for proper management reasons, to improve the status and condition of the forest.

The site also has particularly good road access, adequate drainage and natural orientation that will allow the stage to face away from the main residential areas. As the hon. Gentleman said, there is also space to accommodate the short-term parking of up to 2,000 cars. I examined the proposal carefully and had a map so that I could examine the major roads and connections in the area and consider how people arriving on the major roads would connect with roads into the forest. The vision is not of hundreds or thousands of cars passing through small villages. If people come from the neighbouring cities, as we anticipate, they will be able to come on a main road and enter the forest in ways that should be perfectly acceptable to people in the neighbourhood.

Mr. Chope: Does the Minister realise that in the summer, when it is proposed to hold the concerts, the A31 between Southampton and Ringwood is normally completely chock-a-block, as are most of the roads in the New Forest—so much so that the New Forest show is not held at the weekend? What might look perfectly alright on the map is very different in reality. Why do we have to have a rock concert venue in Ringwood forest, given that the local people are so strongly against it?

Joan Ruddock: Any forest cannot be the concern only of the people most local to it. Throughout the whole country, forests are available to people from beyond the local area. It is essential that people from further afield, particularly from cities, have the opportunity to visit our forests.

Mr. David Anderson (Blaydon) (Lab): It is a great pleasure for me to serve under your chairmanship, Mr. Hood.

My hon. Friend the Minister's point is surely obvious. In the north-east, we have Kielder forest and Hamsterley forest, which are being run commercially through activities such as mountain biking. We are also trying to develop a Great North forest. The Forestry Commission's role is to provide funds to supplement such developments, so clearly what is happening in Ringwood is positive for the rest of the country.

Joan Ruddock: I am grateful for that intervention, which fits well with what I have said to the hon. Member for Christchurch. We have to see the forest as a resource for people beyond the local area. Of course, we do not want the Forestry Commission to be a bad neighbour, and we want to talk to local people and try to convince them of what we have become convinced of through careful consideration: that the proposal will not cause the chaos and noise that the hon. Gentleman talked about when he referred to a long weekend of hell and to horror and stunned disbelief. Those are exaggerated expressions. Yes, live music causes noise, but woodland helps to absorb the noise, and sophisticated sound systems are used to minimise the risk of disturbance away from the site. The nearest homes, which the hon. Gentleman mentioned, are actually 1 km away from where the stage will be sited.

The hon. Gentleman talked about chaos on the roads, but people in this country travel to venues and make visits throughout the summer. Yes, roads are congested, but that is not a reason not to have one event on one weekend. There is congestion throughout the country for many reasons, and it should not be an overriding reason for saying that the concerts should not take place. From the Forestry Commission's experience of running such events, we know that it has generally been able to clear the traffic within one hour of the event closing. As for the timing of the event, that will be a decision for the local authority.

Mr. Chope: Will the Minister give way?

Joan Ruddock: I will, but I am running out of time.

Mr. Chope: The Minister has pledged that local people will have ever greater involvement in decisions that affect their community. How is what she has said consistent with that?

Joan Ruddock: We are more than open to involving local people, and of course I will re-examine the extent to which they can be involved, but as I have said, we cannot say that the decision is only for local people to take. "Local" must mean wider than the immediate vicinity, such as the people from the cities that surround the area, who might want to come. One of the most important things that we can do—I ask the hon. Gentleman to take it seriously—is bring in the people who do not know about the forest and have not lived locally and had the benefit of seeing the trees not too distant from where they live. The Forestry Commission's experience is that, where concerts have been held, they have brought in people who have not previously visited the forest, who may then make return visits. That is incredibly important and an added bonus.

Once the land is cleared and the facility placed there, local people will have even more opportunities to get involved and have local events. I hope that the hon. Gentleman and the parish council will see that that is how we can engage people and ensure that, even if the concerts are not what they would most want on that one weekend, they will have a facility that could bring more involvement and joy to their lives and to their use of the forest throughout the year.

Licensing Act 2003 (Durham)

4.30 pm

Dr. Roberta Blackman-Woods (City of Durham) (Lab): I am pleased to have secured this debate on an issue that is so important to my constituency. I am grateful to the Minister for meeting me recently to discuss licensing issues in Durham. I found the meeting helpful and reassure him that the purpose of the debate is not necessarily to criticise the Licensing Act 2003 but to explore with him those instances in which the Act is perhaps not as effective as it could be and in which local communities are not being protected from inappropriate late licences. It is particularly an issue for Durham because the night-time economy area and local residents are in close proximity.

It might be helpful for me to start with some history of my communication on the issue with constituents and Ministers. I held an initial public meeting last year and invited my constituents to have their say on pub and club licensing in Durham. I raised many of the issues that emerged from that meeting with the Under-Secretary of State for the Home Department, my hon. Friend the Member for Gedling (Mr. Coaker), and he agreed to visit Durham to meet local people to discuss their concerns further. He also wrote me a detailed letter in response to many of the matters raised. Some of the outstanding issues were matters for the Department for Culture, Media and Sport and were referred to my hon. Friend the Minister, who also offered to meet me and respond in writing.

I am grateful to both my hon. Friends for their helpfulness and willingness to listen to the problems that we have had in Durham. It has moved us on enormously, and some issues that involve local misunderstandings about the Act have been cleared up, but four issues remain. First, local authorities need better guidance, so that they feel confident monitoring and turning down licences that prevent them from promoting the four key licensing objectives. Secondly, is the current appeals system the right one, given its many challenges for local residents? Is the system not too onerous to allow local views to be heard and adequately represented? Thirdly, is better notification needed for residents of what comes before the licensing committee for licensing determination? Fourthly, the general view is that the Act contains a presumption in favour of allowing applications.

On the first issue, Durham city centre has many late licences. I cannot state the exact number, because the city council has been unable to provide me with that information; it does not have it to hand. How can the council judge the effect of applications on the city overall if it does not monitor daily or weekly the number of late licences granted? I want to put it on record that this is not meant simply as a criticism of the council, but it clearly needs help and further guidance on how to turn down applications or operate the Act better. An example is the interpretation of the word "vicinity" in determining the effect of a licence and the area from which interested parties can be drawn. Current guidance under section 182 of the Act directs licensing committees to consider the vicinity to be about 100 m, but depending on local terrain, that can be too close. Local authorities should be able to set

their own definition of the vicinity. The Act allows that, but the guidance directs the use of 100 m. The issue should be considered.

How can one small city cope with the extensive night-time economy, so that it does not have a negative impact on city centre residents? No one is arguing that no late licences should be given; it is merely that the licensing committee does not adequately consider or reflect in its decisions the impact on public nuisance. People are woken up late at night—or, more usually now, early in the morning—or have their doors kicked in, their cars damaged and so on. It is my view that too many 2.30 am late licenses are being granted, but I do not have the exact numbers.

It appears that more late licenses have been granted in Durham than in Westminster. Surely, that cannot be right. The local authority, Durham city council, brought in consultants—no doubt, because of the bad publicity that it has received—to consider a cumulative impact policy for the city, but I understand that they are likely to argue against the city's adopting one. I am not sure why, although it appears that they feel that it might simply push the problem of granting licences elsewhere in the city. Again, giving local authorities more information about the matter would be helpful.

I wish to put on record that the statement of local licensing policy produced by Durham city council is good. If it were used properly, it would probably give the city reasonable protection. For example, the policy acknowledges that patrons leaving licensed premises at 2 am are likely to have an impact on residents' sleep, and policy 8 seeks

"to strike a fair balance between the benefit to a community and the risk of disturbance to local residents of a licensed venue."

Policy 15 states that

"the licensing authority will give careful consideration to licence applications that may result in adverse impact upon the amenity of the neighbouring population in the late evening/early morning".

The problem is that those and other licensing policies are not being used sufficiently in determining licence applications. In fact, at times, it seems almost as though they are being completely ignored. What can the Government do to ensure that local policy is adhered to, given greater weight and linked specifically to the promotion of the licensing objectives? One simple modification to the 2003 Act that would give greater powers to reach decisions in keeping with local requirements would be the addition of a fifth licensing objective requiring that the granting of a licence must be consistent with locally determined policy, which must in turn reflect the local interpretation and application of the four licensing objectives.

Another issue is lap dancing. I contend that lap dancing clubs should not be licensed under the Act at all but, like sex shops, under the Local Government (Miscellaneous Provisions) Act 1982. I am working with the organisation Object, which seeks to achieve that end. We contend that the Licensing Act 2003 is not the appropriate measure for granting licences to lap dancing clubs. My experience of Durham in that respect highlights the Act's weaknesses most clearly. Durham received an application for a lap dancing licence to 2.30 am for a premises called the Loft. It is located on a street that acts as the main gateway to the city, adjacent to the bus station and on a main route to the city centre from the railway station. It is also in close proximity to the world heritage site and city centre, across the road from a youth club and in the vicinity of three churches. Some 1,000 residents live within a 500 m radius. In the views of local people, the application contravened not only local licensing policies but a number of Government licensing objectives.

Again, the council's licensing policy 14 appears to be helpful. It states that the council

"will discourage applications for licenses which involve a sex related element near schools, places of worship, hospitals, youth clubs".

In my submission to the council, I expressed clearly how local licensing policies 6, 8, 10, 11, 14 and 15, and no doubt others should prevent the licence from being granted. The application was heard at the beginning of August, when everyone was on holiday, and it was approved, despite policy 14 and other local policies.

Thanks to some very brave residents, including Mrs. Kirsty Thomas and Dr. and Mrs. Evans, an appeal was launched with the magistrates courts. The group of local residents had to fundraise to employ a barrister, organise meetings, gather a lot of information and co-ordinate a large number of objectors. I cannot emphasise enough to the Minister the work required from local people, staff in my office and me in preparing for that appeal. It was disproportionate to the ease with which the decision was made in the first place.

I am sure that the Minister can imagine our delight when, in December, the magistrates court found in favour of the appeal. It had concerns about the application in respect of all four licensing objectives and serious concerns with three of them. It found that there was a serious risk of exacerbating problems of crime and disorder and compelling evidence that a lap dancing club on North road would aggravate existing public nuisance problems and, in respect of the protection of children, that the club could hardly be worse sited.

David Lepper (Brighton, Pavilion) (Lab/Co-op): I congratulate my hon. Friend on securing this debate. I agree with what she said about the use of the Local Government (Miscellaneous Provisions) Act 1982 in relation to lap dancing clubs. I would welcome the Minister's comments on the fact that, in my local authority, we have controlled the number of sex shops by using that Act. The type of entertainment about which my hon. Friend has been talking should be included within the same remit.

Dr. Blackman-Woods: I thank my hon. Friend for that helpful intervention; that was exactly my point.

Our jubilation at winning the appeal was short-lived, because we learnt to our great sadness last week that Vimac, the company involved, has completely disregarded the views of local people and asked for permission to launch a judicial review application in the High Court. If that is granted, residents will once again be plunged into a legal process with no resources with which to argue their case. Our experience is totally at odds, therefore, with information sent to us by the Home Office in December 2007, when the Minister stated:

"while the applicant would be a party to the appeal it is not the case that the residents would be taking on the industry."

[Dr. Blackman-Woods]

In Durham, we very much feel as though we are taking on the industry.

The Minister will say that he cannot comment on individual cases. I use that dreadful example simply to demonstrate a fundamental flaw in the Licensing Act. If local authorities make a wrong decision, it is terribly onerous for local residents to put it right. The whole system needs to be looked at, so that residents and other interested parties can object to the granting of a licence without becoming involved in onerous legal challenges.

Ms Celia Barlow (Hove) (Lab): With previous legislation under the 2003 Act, it was possible for local authorities to cover a degree of sex and nudity. Does my hon. Friend see that as a possible way forward? For instance, could secondary legislation to the 2003 Act be an alternative?

Dr. Blackman-Woods: My hon. Friend makes a very interesting point, and I am sure that that could be considered.

One possible solution would be to fund an organisation such as Planning Aid, which exists to help residents with planning licences. However, some of my constituents have suggested what might be a better way forward: in other cases where it is felt that a costly legal process is inappropriate, such as in industrial relations disputes, a tribunal system has worked well. Perhaps such a system is needed in this case.

My third point is that much better notification and advertising of licensing applications is needed, so that local people, other interested parties and responsible authorities can get adequate notice. My fourth point is that both the city council and local residents say that the 2003 Act presumes in favour of the applicant. I do not necessarily agree, but there is a problem with licences being approved where no representations are made from interested parties and responsible authorities. There is also the contention—I should like the Minister to comment on this in particular—that a licence can be granted in the absence of objections regardless of the views of the licensing committee, which creates a climate where it is presumed that the 2003 Act operates in favour of licensing applicants.

I recently outlined to the Minister the case of a bus parking in a lay-by to sell alcohol. Other similar circumstances involve areas of transient populations where representations may not be made, but where the impact of the licence might be detrimental to the wider community, so that needs to be looked at. Some of the issues that we are dealing with do not primarily relate to licensing. The city council's decision to promote a night-time economy, at odds with the historical, spiritual and cultural heritage of the city, needs to be addressed. We need a proper plan for the city's development that seeks to achieve a more reasonable balance between the competing uses of the city centre. He will be relieved to hear that I do not think that it is his job to do that. However, it is something that I hope that the new unitary authority for Durham will take on board.

In the meantime, however, attention needs to be paid to the four areas that I have mentioned today. I should be very grateful for any input that the Minister can give to resolve those issues. I am grateful to him and the Under-Secretary of State for the Home Department, my hon. Friend the Member for Gedling, for their very active interest in the problems being experienced in Durham—it really is appreciated—but we need action, and I would be most grateful if the Minister travelled to Durham to meet a delegation so that he can see, or at least hear about, the issues in Durham and explore with us how a more sensible licensing strategy could be achieved to enable people to have a good night out in Durham, while providing better protection for local residents and the city's heritage.

4.46 pm

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Gerry Sutcliffe): It is a pleasure to serve under your chairmanship, Mr. Hood. I congratulate my hon. Friend the Member for City of Durham (Dr. Blackman-Woods) on giving the Chamber the opportunity to discuss the impact of licensing reform in her area. I also congratulate her on the way she has looked after her constituents. I know that she has put a great deal of effort into that.

I shall answer the specific concerns my hon. Friend raises shortly, but it is important to put them into the context of the 2003 Act. Despite predictions of doom from some quarters, the Act has been successfully implemented, and the consensus among people I talk to who are using it on the ground is that it is a useful tool and working well. Of course, one of the key aims of the reform was to bring licensing decisions, particularly those relating to alcohol licences, closer to the people. I am therefore pleased that one of the key positive messages to come out of our recent evaluation of the impact of the Act was that it had delivered benefits to local democracy.

The 10 scrutiny councils appointed to help to monitor the impact felt that

> "Residents are much more aware of what they can do to resolve problems at a premises and licensees are much more aware of their responsibilities".

Researchers at the university of Westminster found that

> "the changes in licensing had had a generally positive effect on community relations in the areas examined, with residents and local councillors alike feeling that they had more of a say in the process of granting and challenging licensing decisions".

Of course, that does not mean that problems are not occurring. As our evaluation noted, despite some positive signs, we have yet to see the benefits of licensing reform applied consistently across England and Wales, so it is timely to hear from my hon. Friend about experiences in her area.

My hon. Friend is particularly concerned about the control of a lap-dancing establishment in her constituency. My hon. Friend the Member for Hove (Ms Barlow) also raised some important concerns about such establishments. However, as has been said, I cannot comment on individual licensing decisions, and it would be inappropriate for me to comment on the ruling of a magistrates court or to speculate on the possibility of judicial review and its outcome. I understand the frustrations of my hon. Friend the Member for City of Durham's constituents, but the matter has not yet been fully

resolved. She will know that it is an established and fundamental part of our democratic and legal structure, not to mention human rights law, that there must be scope for independent review of court decisions. That must be the case no matter how much each party might think that it is in the right, and even if it is understandably frustrating to parties when appeals and reviews take time to be considered properly.

I am grateful to my hon. Friend the Member for Hove, whom I met yesterday to discuss the concerns about lap-dancing clubs in her constituency and similar issues that have arisen in other parts of the country. Having reflected on those points and on the matters that have been raised today, I believe that the Licensing Act 2003 is able to control such premises when problems relate to the four licensing objectives. The examples that my hon. Friend gave me yesterday show that the Act has successfully been used in some areas to control lap-dancing premises when there have been problems with the protection of children from harm or with illegal activities being carried on there. The Act can also be used to apply conditions to protect the safety of those working and performing at such premises.

Much can be legitimately done under the Licensing Act to control such premises, but I appreciate that there may be uncertainty among some local authorities, so I am happy to write to chief executives to clarify the position. It is important that we show some consistency and write to them about the position. The 2003 Act cannot, however, prevent such activities taking place because of concerns about public decency and obscenity, or the inappropriateness of that activity for a particular area. Although those may well be important and legitimate concerns, it is not appropriate to consider them under the Act. To do so would mean adding new licensing objectives that would then apply to all 200,000 premises licensed under the Act, and that would not be efficient or proportionate. It is also important to recognise that the Act is not about censorship and does not in itself regulate the content of entertainment. Those are much wider issues that relate to the balance between public sensibilities and freedom of speech and artistic expression.

I should add that the Court of Appeal has previously ruled that certain lewd sexual acts should not in any case be considered as public entertainment, so it is questionable whether entertainment licensing could ever cover all those activities. It is precisely because such exhibitions must be in tune with laws on indecency, obscenity, prostitution and pornography that the lead responsibility lies with the Home Office. If the regulation of those premises is inadequate, it might be that regulation akin to the licensing of sex shops under the Local Government (Miscellaneous Provisions) Act 1982 would be more appropriate, as my hon. Friend the Member for City of Durham said. Alternatively, it might be something that planning law could cover.

I cannot make any commitment at this time, as my hon. Friend will understand, but I certainly shall raise those matters with the Under-Secretary of State for the Home Department, my hon. Friend the Member for Gedling (Mr. Coaker), and ask him to consider those points in discussion with me and the relevant Communities and Local Government Minister with responsibility for planning policy. My hon. Friend visited Durham, and I shall certainly consider the opportunity to visit, if we have those meetings with ministerial colleagues, to see if we can come up with something positive.

My hon. Friend the Member for City of Durham also cited areas where she felt that the Licensing Act may not operate in the best interests of her constituents. Without commenting on individual cases, it seems to me that in most instances a satisfactory conclusion has been reached. It is important to remember that the Licensing Act brought in an important additional safeguard: it is possible to seek a licence review if problems occur at a premises. I know from going around with the police in Bradford that they have been very happy to be able to deal through the review process with problems that arise once the licence has been approved.

Dr. Blackman-Woods: Some of my constituents have made the following point. They know that the provision exists for a review, but just as it is very onerous for local residents to take an appeal through the magistrates courts, and the higher courts if necessary, they say that as local residents, it is difficult for them to get organised in order to get a review carried out. If the Minister could offer some advice, that would be very helpful.

Mr. Sutcliffe: I am grateful for that point. It is certainly not our intention to make the process more difficult for local people; in fact, the Licensing Act's objective was to make it easier for local people to take a view. That is why it is important to consider other legislation that might be able to assist the process.

One particular concern that has been raised is that the licensing authority has to grant a licence if no relevant representations are made against an application. That provision was fully discussed in Parliament during the passage of the Licensing Act, and I have seen no compelling evidence to warrant changing those arrangements, notwithstanding the examples that we have just discussed. It is difficult to argue that an application should be rejected if no relevant objections have been raised by local people, the police, the fire authority, trading standards, environmental health officers or other responsible authorities. Of course I realise that making representations and following them through can be, as my hon. Friend says, a daunting task to members of the public who are not familiar with the licensing process, but as the Licensing Act evaluation suggests, the new regime is much more accessible to the public, and as our guidance makes clear, there is no reason why a local resident cannot ask someone such as their local councillor or MP to make representations on their behalf.

We have also produced guidance to help local residents to participate in the licensing process, but I am very happy to review that guidance if there are points on which interested parties would appreciate more clarification. I do not want to comment on the performance of individual licensing authorities. Ultimately, the system is deliberately designed to be delegated to locally elected bodies. They have to take difficult decisions, balancing the sometimes conflicting interests of their local communities. A key finding of our evaluation was that some areas use the Licensing Act alongside other interventions much more effectively than other authorities. As a result, we will find ways of helping local authorities and their partners to ensure that they have effective measures in place to identify and tackle problem areas

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and premises. We have also made the management of the night-time economy a beacon council theme, which will help to identify and disseminate best practice.

I am sure that we all want thriving leisure and night-time economies that bring in visitor revenue and offer all local people a safe, diverse and accessible mix of premises and attractions. Today's debate has highlighted some tensions, but I hope that I have been able to respond to my hon. Friend with the positive measures that we can introduce.

Dr. Blackman-Woods: Before the Minister finishes his comments, I wonder whether he will say something about giving advice or information to local authorities on best practice, because I fear that one difficult aspect of the Licensing Act is that some local authorities do not have the confidence to use it very well. If they were able to learn from the way it is used effectively in other local authorities and apply those lessons in areas such as Durham, that would be very helpful.

Mr. Sutcliffe: I am happy to do what my hon. Friend suggests and give support to local authorities. Through the Local Government Association and the Local Authorities Co-ordinators of Regulatory Services, there are opportunities for us to continue to get the message out. As I said, beacon council status can be used, too, which then helps us to disseminate best practice. We continue to look at how we can improve. We are looking at how to improve the application processes and to ensure that we have clear rules about the advertising type of application that my hon. Friend has discussed, but we must get the right balance and make sure that we have the right costs and burdens, so that we do not prevent people from making applications. We must also consider the effects on village halls, charities and so on. When dealing with applications, it is a question of balance.

My hon. Friend talked about "vicinity" being an issue. Last July we were advised that that was not a key element, and that the impacts or the licensable activities were more important. We continue to review what can be done. We have made the right move in delegating the matter to local government, because it is right that local councillors and local government have the right to determine what goes on in their area. It is important that we look at the planning process and its objectives, and I am particularly concerned to hear that in Brighton, six lap-dancing clubs have been established in a very short time. That problem will start to spread throughout the country, so I appreciate my hon. Friend raising the matter today. I will be happy to meet colleagues again to consider what can be done to ensure that local people get what they want in their local area.

Question put and agreed to.

Adjourned accordingly at one minute to Five o'clock.

Westminster Hall

Thursday 20 March 2008

[MR. MIKE WEIR *in the Chair*]

Creative Industries

[Relevant documents: Fifth Report from the Culture, Media and Sport Committee, Session 2006-07, on New Media and the Creative Industries, HC 509, and the Government's response, Cm 7186.]

Motion made, and Question proposed, That the sitting be now adjourned.—*[Mr. Michael Foster.]*

2.30 pm

The Minister of State, Department for Culture, Media and Sport (Margaret Hodge): It is delightful to have this debate under your very good chairmanship, Mr. Weir. I am truly grateful to all hon. Members for listening and contributing to it.

The debate has been inspired by the Government's recently published strategy on the creative industries: "Creative Britain—New Talents for the New Economy." The creative industries are a key part of the UK economy. According to our latest figures, they contribute 7.3 per cent. of UK gross value added, and have been growing at 6 per cent., which is double that of the UK economy as a whole. They export £14.5 billion of goods and employ nearly 2 million people. They are a key part of our knowledge-based economy, on which our future prosperity as a nation depends. The Government's definition of the sector, and our specific work with it, is relatively new, but extremely important and constantly evolving.

Labour's first Secretary of State for Culture, Media and Sport, now Lord Smith of Finsbury, created the Creative Industries Task Force, which produced the definition of the creative industries and the initial mapping document, which we published in 1998 with an update in 2001, and which set out the relative strengths of the 13 industries. We have retained that initial definition as the basis of our engagement and work with the sector, but no one in 1998 could have predicted the phenomena that are now part of that sector—YouTube, MySpace, Facebook and so on. As convergence increases, the gaps between the creative industries are blurring. Film, music, publishing and games can all be accessed and enjoyed on a range of platforms. The convergence of technologies creates new opportunities and new markets. Instead of referring to individual industries, it has become valid to see relevance in an overall creative economy, which recognises the economic potential of creative expression, whatever its form.

We launched the creative economy programme in November 2005, when the Secretary of State for Work and Pensions was Secretary of State for Culture, Media and Sport. He saw it as the next stage in Government involvement in the creative sector. The first part of the programme was talking, investigating and consulting. We formed a number of working groups to look at the key drivers of the UK's creative economy, and ran a number of policy discussions and sector summits to obtain the views of industry stakeholders and others.

Those groups produced a series of documents, which became the basis of a further consultation exercise in the summer of 2006. Those reports were then published in November 2006 and provided the solid base for the next phase of the programme. Many of the ideas and recommendations in the document that we are debating have been translated into commitments. I pay a warm tribute to those who were part of the working groups, with special praise to those who chaired them.

In late 2006, we approached Will Hutton of the Work Foundation to write an economic underpinning analysis of the creative economy in the UK so that we had a good context in which to take the work forward. His thesis was discussed during a series of seminars covering the entire creative industries, which enabled the sectors to raise their concerns with us. His work was published in June 2007 in "Staying Ahead: the economic performance of the UK's creative industries". That set out the great performance of the UK's creative sector and attempted to capture the reasons for that success. Its publication is the basis on which we have taken forward the programme of work.

There is now growing recognition of the vital significance of the creative industries to the UK economy. Most recently, the Prime Minister recognised them as being in the premier league of the economy, and the Chancellor referred to their contribution in his Budget speech. Industry reaction to the creative economy programme has been extremely positive, and there has been no shortage of enthusiastic endorsers expressing their willingness to engage and give their views.

The creative industries share many features of other sectors of the economy, so what they ask of the Government in some ways is the same as other sectors. I shall give two examples. They depend, as does every other sector, on macro-economic stability.

Joan Walley (Stoke-on-Trent, North) (Lab): Does my right hon. Friend agree that in the various stages that her Department has gone through to reach the current policy position on creative industries, the reference to ceramics and textiles on page 64 of the document "Unlocking Talent" means that the ceramics industry is at the core of her commitment to creative industries?

Margaret Hodge: My hon. Friend is a constant and terrific campaigner on behalf of her constituents, including those who represent the ceramics industry. Indeed, I had the privilege of making a visit there last summer. I accept that the industry plays an important role in the creative economy, and that we must do a lot of work with it to maintain its international competitiveness, particularly with cheaper production costs in China and the far east in general. We share that commitment, as she encourages us to do. We will do all we can to work together to ensure its continued significance in her regional economy and its contribution to the UK economy.

Mr. Mark Field (Cities of London and Westminster) (Con): Given the immensely cheaper labour and other costs in places such as China, how can we ensure that the creative industries, such as those in the Potteries, will be maintained? Is that just wishful thinking, or will there be some Government action?

Margaret Hodge: If the hon. Gentleman had read the report, he would know where the action is. In all sectors, we must analyse carefully where added value is and

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where the strengths are in the UK's contribution to the industry. Some production may be outsourced, but the creativity is here, as is the marketing and selling of goods. In some instances, depending on the sector, the transport costs of producing goods in Asia and bringing them here may be a factor that we can use to our advantage to maintain some productive capacity. The better our innovation and new productive techniques, the more likely we are to maintain productive capacity in the UK economy. That is not easy, but it is doable.

How is the creative sector as a whole like other sectors? First, one obvious way is dependence on macro-economic stability and ensuring that the Government provide the conditions in which businesses can prosper. Even in the current turbulent times, our record is second to none. We have provided stability, growth, low inflation and increasing job opportunities in every year of this Administration. Given the way in which we strongly manage the macro-economy, we are well placed to withstand the challenges, especially those to the financial markets, from the credit crunch.

The second issue facing the creative sector which also faces other sectors is the opportunities and challenges from globalisation and the new markets that have suddenly opened to us. The challenges come from new competition. Yesterday, I was at a conference on the film industry where we considered inward and outward investment. Again, where is the added value from the UK film industry that we can capture and build on to ensure that we realise the opportunities from globalisation and meet the challenges of competitive costs elsewhere?

Some challenges are also specific to the creative industries. I shall give a couple of examples. Rapidly changing technology puts existing business models in the creative industries in greater stress than elsewhere. In particular, the protection of intellectual property is at the heart of what the creative industries are about, although they are dependent on copyright protection rather than patent protection, which is more easily and closely defined.

Mr. Don Foster (Bath) (LD): On that important point, the Minister will be aware that in response to a question asked by the hon. Member for Maldon and East Chelmsford (Mr. Whittingdale), who is Chairman of the Select Committee on Culture, Media and Sport, she said that the Government continue to have an "open mind" on the issue of copyright. Despite having said that, she is well aware of the Gowers recommendation. Can she help us by being a little more forthright about her position and accepting once and for all that we need an extension of copyright with some additional protections?

Margaret Hodge: The hon. Gentleman refers to one copyright issue that is of particular importance to the music industry, which has done a lot of lobbying on extending copyright to 95 years, as it is in America. He will know that underpinning the Gowers recommendations not to extend copyright was Gowers' research suggesting that doing so would not substantially increase the value to the individual from the exercise of their copyright. The hon. Gentleman will also know that research in Europe—the name of the man who did it escapes me—demonstrated that an extension of copyright was perhaps not the best way of adding value to the copyright of the individual. However—

Mr. John Whittingdale (Maldon and East Chelmsford) (Con) *rose—*

Mr. Edward Vaizey (Wantage) (Con) *rose—*

Margaret Hodge: If I may just finish this point, I will then give way.

Mr. Foster: It is the "however".

Margaret Hodge: That is why I thought that I had better finish my remarks.

However, we have listened to what the European Commissioner said. Clearly, we need to consider that matter. We are consulting to see how we should respond and what the Commission will do, because it is not 100 per cent. clear.

Mr. Whittingdale: Is the Minister aware of the analysis carried out by LECG into the economic model produced by the Gowers report? It shows that the model is based on a fundamental error and that the report's conclusions on the economic benefit of extending the copyright term could not be made?

Margaret Hodge: I am aware of that analysis, and I know it was considered by the Culture, Media and Sport Committee, of which the hon. Gentleman is Chair. There is some dispute about the basis on which the various analyses have been undertaken. If we are to have further regulation, the research evidence on which we make policy must be properly underpinned and understood. I am aware of the report and we, too, are considering it.

We all accept that music in particular faces huge challenges from changes in technology. These days, about 90 per cent. of singles are downloaded, but in 2004 the figure was just 5 per cent. Research from the British Video Association puts the cost of piracy of audio-visual goods and the illegal downloading of those goods at around £460 million a year. There is a considerable challenge in relation to that.

Something that is specific to the creative industry sector is the emphasis on skills. The reason a creative industry prospers or does well is because of the creative and innovative skills of the individuals who are involved in the business. A disproportionate number of people with graduate skills are required by the industry. There are some interesting challenges in relation to higher education, such as the courses that are available and the extent to which the competences match the skills required by the industry. For example, 1,000 courses have the term "film" in the title and more than 350 have the word "television" in the title. Yet, we know from talking to industry colleagues that there are some questions about whether those courses provide the appropriate competences for people when they move into the industry.

Why does the OECD put us at the top of its list? It is because the UK is an exciting and innovative place for creative entrepreneurs to live and work in. The more I talk to people in the creative industry sector, the more I realise that the attractiveness of the UK is the key reason why they stay here. We must nurture that and hang onto it. We also have an open environment, in which we encourage innovation, and we have a talented, high-quality population. Businesses need those skills and we need to capture and use them.

That, in summary, gives the context, and that context led to the development and production of the document, "Creative Britain—New Talents for the New Economy", which I call the latest stage of the journey. The document has 26 specific commitments. They start with trying to ensure that children are given proper exposure to creative industries, and move on to ensuring that creative talent is used to its maximum potential, and to supporting the growth and development of creative businesses. Hon. Members will be pleased to hear that I will not mention every commitment, but I would like to draw their attention to what I think are the most important.

One of the most exciting commitments is the "Find Your Talent" programme. The best way to support the creative industries is to find and inspire the next generation of creative individuals. We are trying to build on the success of the programme for sport activities, which offers children two to five hours of sport a week. Around 80 per cent. of children now have two hours of sports activities a week, and we are using that as an example to ensure that they get experience in the cultural world. The programme is about experiencing and participating—going to a theatre as well as taking part in a piece of drama; listening to music as well as playing an instrument; visiting a gallery as well as creating a piece of visual art. This week we made an announcement about dance, and, from the investment that we are making nationally, we hope that dance will increase in importance in the life of schools and the curriculum.

Along with the other initiatives, we hope that the "Find Your Talent" programme will help young people to develop their creative talent, because it is that talent that is at the heart of the creative economy and will allow it to continue to thrive and prosper.

Mr. Don Foster: I share the view that that could be exciting. The various newspapers that have done an analysis in relation to it have pointed out that the funding proposed works out at £15 a pupil a year, or 29p a week. I did a further analysis, and at five hours a week, the funding works out at less than 6p an hour. Clearly, such figures are complete nonsense if the Minister is to deliver the sort of programmes to which she is referring. Can the she tell us where the newspapers have got their calculations wrong?

Margaret Hodge: The newspapers have got them wrong on the basis that they have assumed that those are the only resources available for that purpose. The hon. Gentleman will know that culture already forms an integral part of the experience of children in many schools—not in as ambitious a way as we would like, but it is an integral part of the school experience and the curriculum. He also knows that a number of programmes over recent years have encouraged that—for example, the investment of £320 million a year in the music programme. Friday before last, I was at a school in my constituency where I watched a whole class of nine-year-olds perform a concert for me. They had been learning their instruments once a week for about four months. It was terrific to see young, fairly tough lads playing their violins. It was great that they were moving in time to the music as well as playing together. That scheme captures all that is best about creativity. I thought that it was great, but to make a more serious point, there is an impact on standards generally, because involvement in music and other activities helps young people with team playing and helps them to think about shape and pattern, all of which are skills that they need to be successful learners.

Mr. Vaizey: I can see that the Minister is already benefiting from the Government's dance programme. I think that the £320 million that she mentioned covers three years, but that is not why I am intervening. Can she clarify that Creative Partnerships will become the youth culture trust and, if that is correct, how the work of Creative Partnerships will change as it becomes the youth culture trust?

Margaret Hodge: We have to work our way through that issue. We certainly think that the youth culture trust ought to be a non-departmental public body, which takes responsibility for supporting the delivery of these programmes in schools, in the same way as the Youth Sport Trust is successfully doing for sport. The creative partnerships are very different. They have evolved in different ways throughout the country and some of them take a different approach in the work that they do, understanding creativity in a rather wider context, as a skill that they want to build into the curriculum. We do not want to lose that work, because it has been very valuable, particularly with disadvantaged children and children who may have been alienated from school. We just have to work it through. The creative partnerships budget is separate—it is £120 million or £130 million—but we want the youth culture trust to take responsibility for this. I accept the issue raised by the hon. Member for Wantage (Mr. Vaizey). We have not yet found the full answer to it.

Following on from the "Find Your Talent" programme—I am glad hon. Members on both sides of the Chamber think that it is a good idea—we have to ensure that career choices are got right. We talk about that in our paper. One initiative being developed is the "Creative Choices" website, which Creative & Cultural Skills, the sector skills council, is about to launch. We know from all the work that we have done that getting that career advice is imperative.

I have talked about ensuring that the skill sets of graduates match the needs of industries. We are hoping that the university of Brighton can do a piece of work for us to map the competences that come out of current degree provision and to find out whether we can work with our higher education institutions, the conservatoires and others to ensure that they are giving an appropriate and relevant offer that will enable individuals to exploit that learning and experience in the world of work.

We all know that the biggest barrier to the UK's success in respect of jobs is the problem that we have in relation to skills. That was highlighted in the Leitch review of skills in the UK. There is a huge ambition throughout government to grow the number of apprenticeships to 500,000 by 2020. We want to play our part in that with the creative industries, and we have set ourselves an ambitious target of having 5,000 apprenticeships a year up and running by, I think, 2018. That is very important. We have talked to employers across all sectors who have welcomed that. Indeed, I have talked to a number of computer games employers who are already taking part in the pilots for those apprenticeships. If we want to meet the diversity challenge

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that we have in the creative industry sector with more opportunities for under-represented groups, the apprenticeships will help us to do that.

I come now to research and innovation. Four out of five creative firms are what are known as active innovators—innovation is at the heart of what they do. The way in which the industry works is changing fast. In the past, Government support for innovation has focused on work that leads to the establishment of patents, and I think that insufficient recognition has been given to the importance of the effort that leads to the development of a copyright. Computer games are the classic example that springs to mind.

We have achieved and committed ourselves to important innovations. First, the Technology Strategy Board will provide £10 million for new and collaborative research and development, with a package of measures specifically to engage small creative firms. The focus will be on the underlying technology challenges and opportunities facing the sector.

Secondly, last week, with the National Endowment for Science, Technology and the Arts, I launched a £3 million creative innovators growth programme, which will be focused on bringing existing businesses through to that high growth status. The initiative that I launched involved the film industry, but NESTA is considering other sectors, too. That will involve examining new business models and how they can succeed. That is an important initiative.

Thirdly, we hope that a knowledge transfer network will shortly be up and running. That will provide an opportunity for businesses to interact with one another and with the universities sector, so that we can bring together all the expertise to try to deal with some of the challenges that they face.

Fourthly, the Department for Innovation, Universities and Skills announced in its innovation strategy that it will commission research better to quantify the economic benefits of the creative industries, with special attention to the value added by innovation in those industries. I hope that that series of recommendations in the paper will allow us to unlock stronger research.

We also talk about the role that we can have in supporting businesses. This is an interesting part of the document that hon. Members may want to talk about. We have always said that the Arts Council's primary aim is to support artistic excellence—that has been confirmed by the Brian McMaster review—but public funding for the arts can be a powerful stimulus for the creative industries, not only because of the skills that it develops, but because of the networking spaces that are provided. Quite often, it can underwrite risk that the financial markets would not be willing to accept. We have therefore asked Arts Council England and other bodies to take account of the objectives of the creative economy programme in their corporate plans and strategies.

Mr. Don Foster: I am grateful to the Minister for being generous in giving way. I particularly applaud what she has just said. She will not be aware of this, but three years ago, I arranged a meeting of the Arts Council and the UK Film Council to ask them which of those two bodies had responsibility for the creative industries. Both denied that they had a key responsibility. There is an urgent need to have detailed discussions with all the lottery distributors about where their responsibility lies in respect of the creative industries. I am glad that the Minister is having those discussions.

Margaret Hodge: The hon. Gentleman and I agree about that. We have to get the balance right, so that it is not seen as us in any way undermining the excellence that we want those organisations to fund in the creative sector.

Mr. Vaizey: I am not sure that I share the enthusiasm of the hon. Member for Bath (Mr. Foster). Perhaps he wants to copy the Scottish model, which has elided the Scottish Arts Council and the Scottish Film Council into Creative Scotland. It seems extraordinary in a such paper that the Minister could simply hand over responsibility for the creative industries to the Arts Council without a wider debate. Is it not time to have a proper debate about the role of the Arts Council now that it is 60 years old?

Margaret Hodge: Let me correct the hon. Gentleman: I am not handing over the role of sponsoring the creative industries to the Arts Council. I am saying that there is a synergy between the creativity that comes out of the funding in the Arts Council and the development of successful businesses in the creative industries sector. The Arts Council has come very successfully through a radical funding round—I applaud the way in which, on the whole, that has been managed—and it will clearly be taking time to reflect on how it makes progress. No doubt, the hon. Gentleman, I and other hon. Members will be engaged in discussions with it on its role in a fast-changing world.

Our enterprise capital funds are supposed to meet the gap in the equity market, which is a particular issue for the creative industry sector. The Chancellor announced an extra £150 million in three further rounds to establish more capital funds. I am really pleased that the UK Film Council will be submitting a bid in that round.

I will now touch on intellectual property, which is of key concern to the creative sector. To support those industries and others, we need a balanced IP framework, which is relevant to today's world. We need to encourage businesses to develop new business models—only they can do so—that recognise and exploit the changes in technology. We also need the right tools to tackle IP crime, and we should continue to improve the education and understanding of IP. We should also recognise that, with changes in technology, there is a massive democratisation of information, which is hugely powerful to the industry and to society. So we must strike a constant balance between those objectives in the public domain.

My right hon. Friend the Secretary of State for Business, Enterprise and Regulatory Reform will shortly consult on legislation that will require internet service providers and rights holders to co-operate in taking action on illegal file sharing, with a view to implementing that legislation by April 2009. That reflects a definite change of tone by the Government. Although, of course, we prefer a voluntary approach—we encourage all partners to seek one—we also have to underpin it with action if necessary. We will not hesitate to act if we need to.

The UK Intellectual Property Office has also put in place a plan of action on IP enforcement. The report mentions a range of things that it will do, including a fake-free London campaign in the run-up to 2012, a national centre of excellence on tackling IP crime, the establishment of a forum between Ministers and industry to keep the issues under review and voluntary enforcement funds to try to get more action on behalf of the police.

Mr. Mark Field: The Minister will be aware that some of the biggest concerns in the manufacturing sector are to do with patents and intellectual property rights and their breach in China, which is an important trading partner for the century ahead. She also refers to the 2012 Olympics. Clearly, an opportunity exists over the next four years to firm up relationships between our two capital cities. As the Minister refers to democratisation, what action will the Government take to ensure that we put intellectual property rights into some sort of framework? Will that be left to the companies that wish to ensure that their creative industry product is seen in China? Or will the Government consider working with the Chinese Government to put in place protocols to ensure, as far as possible, that our creative industry does not lose out because intellectual property rights are largely ignored in that part of the world?

Margaret Hodge: About 18 months ago, in my previous role as Minister at the old Department of Trade and Industry, I met Chinese Government officials and Minsters in China to discuss having a proper intellectual property rights regime. It was one of the key areas of debate and discussion. I am sure that my successors are continuing those particular debates. For me, getting internet service providers to manage their information properly is the best thing that we can do in the UK to protect the intellectual property rights of individuals. Beyond that, the way forward has to be through diplomatic negotiations and using the World Trade Organisation when that is appropriate as well

We are also considering how to do a better job in educating people in IP rights and IP frameworks. I do not know whether we will incorporate that issue in the new diplomas that are emerging or in the review of the primary curriculum.

Janet Anderson (Rossendale and Darwen) (Lab): Before the Minister leaves the subject of intellectual property, may I, as chair of the all-party parliamentary group on intellectual property, thank her for her recognition of how serious a problem this is, particularly in the digital age? Does she agree that perhaps the Government should look at the resourcing of trading standards officers in local authorities to see whether their role can be strengthened in some way?

Margaret Hodge: I was pleased that we were able to find an initial sum of money to support the implementation of section 107A of the Copyright, Designs and Patents Act 1988, as that has allowed the regime to start that work rolling. Our thinking now, subject to further negotiations, is to get industry to put in a bit of money to support the effort that we want the police and the officers in local authorities to undertake. My hon. Friend is right; the more resources that we have, the more successful we will be in that regard.

I want to talk a little about the roles of regional development agencies and local government in the creative industry sector. We know that the sector works best in clusters. We propose to pilot the development of a regional creative economy strategic framework—thinking about such industries in the region—both in the north-west and south-west. If those frameworks are successful as a mechanism for the regional development agencies to intervene and support the creative economy at regional level, we will try to roll it out across the country. We are working with the Local Government Association to develop advice for local authorities on how to improve their creative infrastructure, and that will include advice on things such as providing suitable business space, developing links with universities and colleges, and encouraging networking and local networks.

I turn to our international work. The UK is at the forefront of the world's creative economy. An OECD study showed that we have a higher percentage of our economy working with creative industries than any other country in the OECD family. A large part of that strength is down to our reputation for creativity and innovation. As incomes and aspirations rise in developing countries, there should be more opportunities for British companies to work abroad. However, we have to maintain that advantage and ensure that London and Britain continue to be seen as the best places to trade.

I am, therefore, pleased that UK Trade and Investment agreed a five-year strategy—we have put it into our document—to look at our international competitive position. The strategy has three themes: developing stronger messaging, which resonates with overseas buyers; ensuring promotional activities; and encouraging other new initiatives in target markets. We want to combine two of the UK's and London's key strengths in the creative industries and financial services to initiate what we have called a world creative business conference, which we want to become a regular feature in the calendar and which we aspire to have the same status as the Davos World Economic Forum. That would cement the UK as the world's creative hub and help to develop the ongoing and important dialogue between the creative and the financial sector, which is very important to get equity into the creative industries. The creative industries are extremely fast moving. They have changed massively in the past five years, and I have no doubt that they will change massively in the next five, which is why we have said that this is the next phase in an ongoing programme.

I want to establish a mechanism in which I can have a continuing and regular dialogue with industry representatives and other important stakeholders, so that they have an effective voice in shaping our agenda and programme as we move forward. Their contribution so far has been a major factor in the success of the creative economy programme. I hope that all parts of the industry will continue to engage with the Government.

The document "Creative Britain: New Talents for the New Economy" is the summation of nearly three years of work. It could not possibly articulate all the issues that we have investigated, debated and discussed; similarly, we could not discuss all the issues within the document now in this debate. I hope that I have given the Chamber a good taste of the challenges that face the creative industry, and I look forward to the contributions of other hon. Members.

3.9 pm

Mr. John Whittingdale (Maldon and East Chelmsford) (Con): I very much welcome the fact that we are debating the creative industries. The Minister gave us some statistics showing that their importance to the economy is growing, and I think that we all recognise that. Our manufacturing industry has slowly disappeared eastwards and has been followed by our service industries, which are now run from call centres in Bangalore or administered by migrant workers in this country. The one thing that we are left with that we are extremely good at is the creative industries, so it is extremely important that we give them every support.

There are many things in the documents that I welcome. The "Find Your Talent" programme certainly has a worthy objective, although I am little sceptical about it, given the figures that the hon. Member for Bath (Mr. Foster) mentioned that show what the programme actually amounts to in financial terms, and given that already hard-pressed teachers will have to squeeze the programme into the school day. None the less, the objective is a noble one, and other measures, such as the growth in apprenticeships and the investment in research, are also admirable.

I shall, however, focus on one key issue. In supporting the creative industries, the Government have a fundamental role to play in respect of copyright, because that is the one thing that only they can enforce. Without copyright, the creative industries cannot survive, because they depend on being able to achieve a return on the creation of intellectual property.

Copyright enforcement has always been a challenge. A long time ago, I started life as a special adviser at the then Department of Trade and Industry; I remember the debates that took place about whether we should introduce a levy on blank digital cassette tapes. I could see why they were a problem because, as a teenager, I had always tuned into the top 20 on a Sunday evening, with my cassette tape recorder poised to record—

Mr. Vaizey: The Undertones.

Mr. Whittingdale: Indeed—and others. I did not realise at the time that what I was doing was illegal, and certainly not that it was doing such damage to the music industry. Although the music industry did not like blank tape copying, however, it accepted it, because the results were not particularly high quality and the DJ usually interrupted halfway through, so the recordings were not really a substitute for buying an album.

The problem now is that digitisation means that the quality of the music recording, which can be made available in digital format and easily pirated, is no different from that of a CD. Such recordings represent a far greater challenge because the quality has increased so dramatically and because of online distribution. Of course, online distribution is not the only problem; there has always been a problem of physical piracy. Indeed, the day before yesterday, I spent a couple of hours with film piracy unit of the Metropolitan police, whose officers were talking about the continuing problem of pirated DVDs and, to some extent, CDs, which are churned out in garages up and down the country by server towers that can produce 40 or 50 discs at a time. A lot of that is done by Chinese immigrants who have been trafficked into the country and who are then required to repay those who brought them here by undertaking criminal activity, which very often involves piracy.

That type of piracy is a challenge, but it is online piracy that is growing rapidly and that poses an even bigger threat. It is obviously important to update the law to take account of that threat. The Select Committee on Culture, Media and Sport has looked at the challenges posed by new media to the creative industries, and we feel that the law is lagging behind. To give a specific example, almost every teenager—indeed, probably the vast majority of the population—owns an iPod, and such devices are becoming the preferred method of listening to music. However, it is still technically a breach of copyright for me to purchase a CD in a shop, take it home and put it on to my iPod, which is plainly ridiculous.

The record industry will say, "Well, of course, we never dreamed that anybody would try to enforce that provision," but the fact that copyright law has not taken account of format shifting and the way in which people now listen to music and, increasingly, watch video content, brings the law into disrepute to some extent. It is difficult to tell young people that one bit of copyright law is really important and that they must obey it, but that another bit does not matter too much so they can ignore it. I therefore welcome the discussions on putting in place a private copying exception. The industry has some concerns about it, and that exception will need to be narrowly drawn, but we need to amend the law so that home use is made legal and acceptable.

As the Minister said, the industry will also need to take account of consumer behaviour regarding online distribution when it develops new business models. The record industry was very slow in responding to online distribution. It started off by saying, "This is awful—it will be the end of the world. We must stop it." Latterly, it has accepted that online distribution could create whole new markets and that it is an opportunity, and legal downloads are now growing. We are seeing a gradual shift, whereby more and more music is being made available online very cheaply, and quite often for a single payment that gives access to a huge library of music. That will probably result in a decline in revenue streams, but there is an acceptance of the inevitable and of the fact that it is better to get some revenue than none at all, which is the consequence of illegal distribution. Another consequence of the shift may be that live music performance becomes more important and that it will represent a bigger return for artists, which I would also welcome.

The industry is waking up to the problem, but that problem is growing exponentially. In the past four years, the record industry has seen a 20 per cent. drop in its revenues, in large part due to piracy. The Minister mentioned the estimated £480 million loss by the TV and video industry in 2006. One survey in November 2007 revealed that 10 per cent. of the population had either home-copied a DVD or bought a counterfeit DVD, that 16 per cent. had illegally downloaded, streamed or burned discs and that 23 per cent. had borrowed and copied a disc, which, technically, is also illegal.

Mr. Don Foster: It is not the same.

Mr. Whittingdale: No, indeed—the hon. Gentleman is quite right. However, a huge amount of illegal activity is being undertaken by a large proportion of the population.

I have a 14-year-old son and he has a laptop. He and his friends share films on it. On his laptop at the moment, he has a number of films that are on show in the Odeon now; they are not on DVD because they have not yet been legally released. However, he has—[illegible] my wishes and, indeed, with my strong disapproval—downloaded those films from sites such as The Pirate Bay. My son has also told me how one of his friends at school will buy a computer game, which the students then crack, and it goes around the entire school. Every single laptop will have that game on it, and everyone will be playing it, but there will have been only one purchase.

Mr. Foster: May I ask the hon. Gentleman to advise his son that I had a meeting earlier today with the Internet Service Providers Association, which told me of the trial that it is about to start to identify his son and people like him and to take out criminal proceedings against them? I ask the hon. Gentleman to warn his son that that is about to happen. I, for one, welcome the action.

Mr. Whittingdale: I shall certainly convey that warning. I have to tell the hon. Gentleman that I have done my best already, but the real problem is that it is not a small number of people who are doing this—it is the vast majority of the teenage population. We cannot lock up every teenager in the country.

Mr. Vaizey: Leaving aside the possibility of my hon. Friend turning himself and his son in at the end of the debate, there is a serious point. I cannot imagine my hon. Friend getting up and happily telling hon. Members, "My son goes shoplifting every day." However, he is happy to tell us that his son downloads films from pirate websites. Does that not illustrate graphically the gulf in public opinion on stealing a physical object from a shop and stealing intellectual property, and the huge journey that still has to be made?

Mr. Whittingdale: My hon. Friend anticipates precisely the point that I was coming to. He is of course entirely right. Young people do not see that there is anything wrong with the practice. They have grown up with it and they see it as perfectly normal behaviour. I have attempted to make the comparison with shoplifting that my hon. Friend made, but I have not been wholly successful. I shall continue to make the case because I strongly believe that the practice in question is theft, but it is an enormous challenge.

I welcome what the Minister said about greater education and the attempts that are being made to get the message across. British Music Rights, for example, has worked to introduce material into the curriculum to increase understanding of copyright. Such efforts are important, but, to return to a point I made earlier, the industry will just have to accept that behaviour is changing and will have to adapt its business models to take account of that fact. Something like a single payment subscription to an iTunes library, which would give access to a huge range of material, would be a far more productive way of addressing the problem. I simply do not think that we shall persuade people that the old business models are sustainable and that they must change their behaviour. Education is hugely important.

Mr. Mark Field: Does my Friend accept, following the exchange between him and my hon. Friend the Member for Wantage (Mr. Vaizey), that although there is no sense that the behaviour in question is wrongdoing or theft in the way that shoplifting is theft, one way in which Government, Parliament and the industry might appeal to young people is to make the case that he made in his earlier comments: that much piracy funds misery in the developing world and is part and parcel of people trafficking, drug running and the like? It is an area of business that is often in the hands of large-scale wrongdoers, who use the proceeds to cross-fertilise other aspects of their criminal activity. A case should perhaps be made, in robust terms, that every time someone downloads illegally or buys a counterfeit CD, they help to bring about a hell of a lot more misery. The crime is not a victimless one.

Mr. Whittingdale: I half agree with my hon. Friend. I think he is correct when he talks about physical product. There is a lot of evidence that the manufacture of counterfeit DVDs and CDs is being conducted by organised crime and feeds the misery that he has described. The problem with online illegal distribution is that it is free. That is why everyone does it; they get access to the material and pay nothing, so there is not any great financial motive. A famous instance is The Pirate Bay, which I think was created by two Swedish teenagers; they did it because it was fun. They did not believe in copyright, and they had the technology, so they sat in their bedroom and created The Pirate Bay. As a result, peer-to-peer file sharing is now taking place across the world. The two people in question deny responsibility and say that all they did was to create the access mechanisms. That is not so much organised crime, and in some ways it represents a bigger challenge.

There are things that the Government can do besides improving education, which is vital, and encouraging the industry to adapt its practices. Some of those actions, which I welcome, are set out in the White Paper. However, I hope that the Government will not consider hardware levies. I have not seen evidence that they are being considered by the Government, but there are some in the industry who are now talking about them, and of course they exist in one or two European countries. It seems to me that a tax on blank discs or iPods is not the way forward: it would clearly be unpopular, and it would be very difficult to work out how the proceeds of such a levy would be distributed back to the owners of rights, as some have suggested.

A small measure that could be taken, which the Select Committee recommended, and which might make a difference, concerns access to pirated films, which sometimes appear within hours of a film's release. Quite a lot of it is done by people sitting in cinemas with camcorders. When people go to the cinema they see all sorts of dire warnings on the screen about being expelled and subsequently banned from the cinema, prosecuted and fined, but the truth is that such filming is not a criminal offence. It is a civil offence. The industry has suggested that making it a criminal offence would send a strong signal, and the Select Committee supported that.

The most important element, as the Minister rightly mentioned, is to encourage the ISPs to accept that they must get involved and that they have a responsibility. For a long time, ISPs seemed to be saying, "We are no

[Mr. Whittingdale]

more than telecoms companies. We supply the copper down which data flow, but in the same way that British Telecom cannot be held accountable for what people say in telephone conversations, we cannot be held accountable for how people use our delivery mechanisms." That is now changing, and the Government are right to express the hope that a self-regulatory system can be created.

This morning, while the hon. Member for Bath was meeting the Internet Service Providers Association, I was meeting Yahoo! I was told that the discussions between the Music Publishers Association and the ISPs are very productive. There is a general willingness to accept that where the rights holder identifies a particular IP address as the source of a lot of material that is being uploaded, they can notify the ISP, which will identify which computer, if not which user, is responsible and serve a notice of warning that if the activity continues, they will be taken down. That is a real step forward and represents a change of attitude in the industry. I hope that others will join that move—for example, I think there is a role for search engines to play in trying to make it far harder for people to find out how to access illegal material.

We can be optimistic about such measures being introduced. I am told that in America the ISPs are discovering that the amount of video content that is being distributed is taking up a vast amount of bandwidth and slowing down the whole system. They know that the majority of that activity is illegal. Tackling the problem is therefore becoming something that is in the ISPs' interests. That may explain why they have suddenly become rather more enthusiastic about doing so.

I will finish on the issue of copyright extension, which was raised by the hon. Member for Bath and will no doubt be mentioned by the hon. Member for Perth and North Perthshire (Pete Wishart). There has been a long-standing campaign by the music industry, which points to the fact that composers, lyricists and designers all enjoy copyright on CDs until 70 years after their deaths, whereas the producers and performers have only a 50-year term. That is unfair.

The Gowers report suggested that the extension of copyright term might not produce much economic benefit. That has been questioned by the industry, as I mentioned earlier, but, at the end of the day, that does not seem to me to be the point at all. It is not about whether extension will generate more economic activity, but about morals and rights. Why should somebody who creates a work be allowed to benefit from it for only 50 years? Other countries across the world have far longer terms. The case for moving in that direction is very strong.

I cannot resist reading a letter that I received last year—one of the most exciting letters that I have received for a long time. It came from Mr. Eddie Clarke, also known as Fast Eddie, the lead guitarist of Motörhead. I must admit that I have seen them perform on several occasions. He wrote:

"You may think that as a rock musician I should not expect to live until 80. I can assure you I did not think this was going to happen but with modern technology and medicine, it certainly seems a possibility—even my old partner in crime Lemmy might make it.

My royalties will be my pension and something to pass on to my family, so to learn that they will be stripped away before my 80th birthday is frankly unacceptable."

I think that Fast Eddie speaks for a huge number of performers in the industry. It was for that reason that the Culture, Media and Sport Committee recommended an extension of the copyright term. We were extremely disappointed that the Government did not respond positively to that suggestion. However, things have since changed. Suddenly, out of the blue, Commissioner McCreevy saw the light and issued a statement that bears a remarkable resemblance to the wording of the Select Committee report. That may not be entirely coincidental, but the fact that the European Commission has accepted that there is a strong case for copyright term extension will, I hope, cause the Government to think again.

I welcome the Minister's comment to me at Question Time a few days ago when she said that she had an open mind. However, like those who have already contributed today, I hope that her open mind will allow her to reconsider the matter soon and to reach a firm decision. An indication that she is becoming more sympathetic to our case—I am sure that other hon. Members will express support for it—would be a welcome and major contribution to supporting the creative industries.

3.30 pm

Dr. Ian Gibson (Norwich, North) (Lab): It is a pleasure to have you in Chair for the first time ever, Mr. Weir. I thought that Westminster Hall would be Havana Hall this afternoon and that I would be able to speak for two and half hours without interruption. However, much has already been said by others, and I do not wish to repeat it. The subject is important and I should like to accentuate one or two points that have not been made so far.

There is, as the Minister pointed out, a link between the creative industries and the economy that is becoming ever more important. As the country's financial services wobble—some of them might disappear—it is important to prevent similar problems in the creative industries and ensure that they continue. Our higher education facilities and universities are full of creativity—creation, too, in the odd academy—and innovation is rampant in most of our universities. There are problems, however, which have been highlighted by Mr. Will Hutton, whom the Minister mentioned.

The creative industries produce many millions of jobs and attendant jobs among people who help them to expand through exports and so on. I do not want to talk about the difference between innovation and creativity—we could have a great debate about that but, to me, they are mutually dependent: a bit of both goes into the production of any particular product. However, we are not getting enough from the higher education facilities in this country. Oxford and Cambridge are still the epicentre and have shown the way forward, and other places are catching up, but we are missing out on a lot of the creativity and bright ideas that flow in those places. As Lambert pointed out, business links with universities are pretty weak. We all know that they must happen, but nobody has come forward and told us how to make them happen or how to pick up ideas and turn them into products.

Hutton says that intellectual property from the UK university sector generated only £31 million in a sector valued at more than £10 billion, so there is a lot to do. Morgan Cole, a law firm, said that 90 per cent. universities still prefer to publish their ideas to boost their research standing in the academic realm rather than apply for patents. As Hutton says—I agree—that results in an enormous opportunity to make money from university research being forgone. The link with the economy is found in spin-out companies, which continue to be a great success in Oxford and Cambridge and elsewhere because of the creative, innovative, bright and sparky people that gravitate to those firms. We need to put business profits back into the academic heartland.

Mr. Mark Field: I am sorry to stop the hon. Gentleman—

Dr. Gibson: From winding-up?

Mr. Mark Field: I was going to say "in full flow"—I hope that the hon. Gentleman is not winding-up.

The hon. Gentleman talks about our two ancient universities, but it is fair to say that a number of other institutions do extremely well in that regard such as—I say this with a parochial interest in mind—Imperial college, which is in my constituency. It has been at the forefront of the commercial exploitation of many of its own ideas, which I hope will be a precursor to many other universities, old and new, doing the same.

Dr. Gibson: I apologise to the hon. Gentleman. Of course Imperial, Manchester, Newcastle, Dundee, Edinburgh and other places have little pockets, but still, I think, universities concentrate on their academic work. I am not talking about Imperial, which has engineering and such like, but other universities in this country concentrate too much on the academic side. They have to do that, but they do it too much, and they miss a lot of opportunities.

As Hutton says:

"British business is full of complaint and seems only interested in tax breaks, avoidance and evasion. Now has come the time for it to start writing some cheques instead, to put its money and effort where its mouth is".

We need some kind of interaction, which I think can come only from political endeavour. Business should pay partly for universities and higher education colleges because that is where the innovation and creativity come from, and it should pay for the students who end up working for companies. In America, when new students go to a city such as Philadelphia, it is not simply left to the university to entertain and talk to them; instead, the city's community and commercial sector goes to talk to them to help in the recruitment process. From the beginning, students get the feeling that they have not gone to the city only to get degrees or to do all the other things that undergraduates do excitedly. They get the feeling that they will have jobs in the city if they wish. It is important to get such a culture going, but we have a long way to go.

I could try again to get top-up fees abolished—*[Interruption.]* I have not changed my mind on the matter—the Minister and I engaged in many debates on the issue in front of television cameras and so on. However, if business takes its responsibilities seriously, a lot of the hardship that has been generated by top-up fees for many students—working class students might not get in, but that is still to be shown—we would form a new kind of culture that brought lots more bright people into the higher education sector.

I also want to talk very briefly about the creative writing industry, which I know a lot about. At the university of East Anglia in Norwich, a friend of mine—sadly, he is no longer with us—Malcolm Bradbury set up a creative writing course. We arrived at the university at the same time: I was at one end of the campus, he at the other; I was doing boring, nerdy science, and he was doing exciting things with creative writing. Books such as "Eating People is Wrong" and "The History Man" came out of a bright idea from the bright young man who set the course up. That creative writers group produced Ian McEwan, Anne Enright, who won the Man Booker prize this year—McEwan has won it before—and Ishiguro. Talented people were attracted into a small department where they got the help and education to form them into a creative writing force.

Writing, be it books, pamphlets or whatever, is very important in our culture and in our lives. Interestingly, "Atonement", Ian McEwan's recent book, is about Oxford and Cambridge. I have had sharp words with him because he could write about a more provincial university than Oxford or Cambridge, but that is Ian. Throughout the whole of England, there is great potential for creativity in writing and music, about which we will hear more, and in science and mathematics. The fashion and clothing industry has also been mentioned. There is great creativity waiting to be used in many industries.

I do not wish to talk about Trevor Bayliss and his clockwork radio, because people who have never been to university invent and produce important things because their brain is ticking and because the receive support. It was not easy to get support for the clockwork radio, which is so important in the developing world, but it happened. He now argues for a bachelor of invention degree.

We heard a little about intellectual property and the primary curriculum review. That will be important. People do not have a clue what intellectual property really is. I know about it because I have had an insect named after me, so I have a really important patent. That is the first time that I have confessed that. It has been no use to me and I am not a multimillionaire. When people discover things, they go immediately to get patents. I did so because I was told to. A patent lawyer who moved in university circles told me that I must go and get a patent. I would be surprised if anything is named after the hon. Member for Wantage (Mr. Vaizey).

Mr. Vaizey: If the hon. Gentleman is going to share this information with the House, he could at least specify which insect is named after him.

Dr. Gibson: It is a very social insect. Does the hon. Gentleman understand what an ant is?

Mr. Vaizey: Yes.

Dr. Gibson: Well, it is a kind of ant. Now there is a confession for you.

Publishers and others should encourage young people to discover new ants, or whatever it is that might some day be useful in an experiment. Of course, at the other

[Dr. Gibson]

end, there is the drug industry with its patents, intellectual property rights and so on. The system seems to work. It generates a field where one can act to prevent other people from using the product of one's own endeavours. I think that the Department for Innovation, Universities and Skills, created by the Prime Minister, will tackle a lot of the problems that I am talking about.

Patents are important. We judge the success of industries, universities and higher education centres by the number of patents they hold. It is a crude measure of success. I do not see why copyrights could not also be a crude measure of success in certain industries. It ought to be done much more avidly than it is.

We need to think not just about music when considering the problems of downloading. We need to think about the kinds of problem addressed by the new all-party writers' group that we have set up. People's writing is being exploited. An article that appeared in the *Evening Standard* appears in the *Hong Kong Times* under the same name, but nobody has been asked for permission to print it, and they certainly do not get paid for it. One might ask why they should be, to which the answer is: they should be paid for it because writing is their only source of income.

I spoke the other day to Maureen Freely, the famous president of the Authors Licensing and Collecting Society in this country. She is eminent and well known. When she writes a book, she gets £1,000 laid on the table, just like that. We talk about the minimum wage, but such a book takes her three years to produce, and she gets £1,000 from the publishers. That is not a problem for J.K. Rowling, Peter Mandelson, ex-Prime Ministers and such people, who get big money, but it is a problem for the majority of writers in this country whose products people enjoy.

We are moving into an age in which books, too, can be downloaded on to digital devices. I am not sure how many books can stored, but I think that somebody told me it was 30,000. There is nothing like curling up with a book. I am sure that the Minister enjoys it as much as the rest of us, but there is now the opportunity to read them on a digital screen. It may not be as cuddly, but it is certainly there, and it exploits a lot of the work that writers do. That is a problem.

We will hear more about the music industry. The all-party writers' group is supported by the ALCS, many of whose surveys have turned up interesting facts about public attitudes to copyright. Most people surveyed believe that artists should be recompensed for their work rather than having it purloined. They believe that a reasonable sum should be given them, because that is their sole income. As I have pointed out, many are not as successful as Ian Rankin, J.K. Rowling and so on. There is always a spread. Downloading can happen with the written word as well, and I think that it will increase.

Mr. Vaizey: Is it not also a problem for writers that the Government have cut the money available for the public lending right?

Dr. Gibson: That is another issue, of course. The ALCS owes the Prime Minister £60 for a book that he produced, and we are hoping to be able to present him with a cheque at an event here in the House of Commons in a few months' time. The hon. Gentleman has a point, but that comes from diminishing the amount of money that writers get from library loans and so on. Maybe we can persuade the Prime Minister that it would have been £160 if the Government had not reduced the amount of money that writers get from book borrowing from libraries.

Margaret Hodge: Although we have given a tough settlement this year—the hon. Member for Wantage (Mr. Vaizey) is correct in saying that—does my hon. Friend agree that we have increased the amount of money that an author can get per copy in the past five years? I think that it has more than doubled. That is a massive increase, and it shows the support that we give writers, unlike the Conservatives, who never did anything but cut, cut, cut every year.

Dr. Gibson: I am not into sectarian violence in Havana Hall this afternoon, that is for sure. However, the point is well made. We have recognised the problem and produced a solution. Many people may find it a little severe, but I am sure that we can do something about it to encourage younger people starting their careers by giving them some recompense for the work that they produce.

We have heard about education. As always, it is half the battle. The DCMS report says that intellectual property rights are poorly understood, and the point has been made that many of the public love a bit of piracy here and there, as they are getting something for free. A large percentage of consumers have looked at pirated video content, and one cannot go to a cinema now without being extolled to report anybody who is holding up a camera and trying to record the film being shown.

Teenagers realise that they can download things for free instead of having to use their parents' credit card, which is the alternative. That that is illegal should be inculcated in them through the education system. Adults will download free books, so it is not just teenagers; adults will do it too if it is easy enough. Free music and free books may someday mean no music and no books. People may find it difficult to continue to produce if piracy continues to happen. DCMS says that reducing software piracy would generate 30,000 jobs and £11 billion into the official economy, so it is worth doing.

Another recommendation that we have heard about relates to the Strategic Advisory Board for Intellectual Property Policy. The board is doing fine, although its predecessor had a few problems—basically, it did not have people who knew what they were talking about. Feargal Sharkey of British Music Rights made that point:

> "If the Board on IP wants to contribute to Government thinking on Intellectual Property in a meaningful way, it has to involve people who make their living from their creativity and hence, understand the true value of copyright."

Everyone here will have read the magnificent report from the Select Committee on Innovation, Universities and Skills, which I chair, "The Work and Operation of the Copyright Tribunal". The Copyright Tribunal is basically one man and a dozen different types of lawyer. That one man runs it in his spare time. He sits around trying to unravel copyright disputes between the people

who made a work and the people who use it, who may think that the fine imposed on them is too high. Members might be interested to know that even undertakers appear before the tribunal for having downloaded music to use during ceremonies. It is a strange organisation, and the Select Committee makes some stringent comments about it and what might be done to improve it, not the least of which is that we cannot have one senior QC running it in his spare time.

One case cost £12 million to resolve. That makes it difficult for the small person who cannot get into that kind of network or a game involving forensic lawyers and lawyers of other dimensions. It is not possible. We must have some new copyright tribunal system, so that when disputes arise—hopefully we can eliminate many of them by other mechanisms; we have heard about some of what is going on with the internet—writers as well as people from the musical world have a fair shot. Orphan works whose source is hard to trace are another problem. The cost of cases needs to be cut and the administration of the tribunal needs to be overhauled.

This is an exciting time when, for once, we will be looking seriously at creativity. There will always be problems, but copyright is a problem that has been around for a long time. I do not have immediate solutions to it in terms of catching and punishing those who abuse it. We do so a lot through Home Office functions and so on, if people are downloading information. We need to consider whether we want to give people credit for the work that they produce and pay for it in some way. Both writers and musicians in this country have been undervalued for years and years.

I am so pleased that people interested in intellectual property are now calling meetings, including in this House. The Westminster Forum too will be holding one. So something is stirring. I think that Parliament, Ministers and Departments now need to get stuck in and help creativity. The industries will not survive or hit their potential unless we allow the people involved the right to get paid and to own their work. That is the way to encourage many more people into the industry.

I am continually amazed by the talent in this small island—it seems endless. I just wonder how much we fail it sometimes with the kind of structures that we set up and the laws that we put in place. How many people get turned off and say, "Well, there is no living to be made out of this, so I might as well do something else."? There is a problem in higher education and if we do not watch out, we will lose much of that creativity.

3.50 pm

Pete Wishart (Perth and North Perthshire) (SNP): It is a pleasure to see you in the Chair, Mr. Weir. I would like to refer to my entry in the Register of Members' Interests. We are hoping that MP4's greatest hits, when it goes triple platinum, will also be put on the list, but that is probably a good while off.

The debate has been a long time coming. I cannot believe that, in the seven years that I have been in the House, we have not had a general debate about the creative industries. That is a total and utter surprise, given that the creative industries will probably overtake financial services as a major growth area of our economy. As the Minister said, there is £60 billion-worth of turnover and 1.9 million people work in the creative industries. Yet here we are, in the graveyard slot of Westminster Hall on a Thursday afternoon—the only time that we could secure for a debate on this really important part of our economy.

The Minister alluded to the fact that the UK's creative industries do particularly well. International comparators are always difficult in the creative industries, but the OECD found that, compared with countries such as France, Australia, Canada and even the United States, the UK comes out top in terms of its contribution. Exports are huge—4.5 per cent. of our export turnover is in the creative industries sector. It is a massive industry. I would have thought that the Government would want to crow about that. It is a huge UK success story. I do not think that anybody in the Chamber would disagree with the fact that we are incredible innovators; it is something that this country does well. I would have thought that they would want debates every week on the subject. Yet here we are on a Thursday afternoon in Westminster Hall. Nevertheless, I welcome this important opportunity to debate the subject.

The term "creative industries" probably did not even exist 20 years ago. There was a creative sector, in which all the activities went on, but the idea that it could come together and be streamlined was way off. Even 10 years ago, we would have found it difficult to think about strategies for the creative industries. Five years ago, who would have imagined that we would be talking about the creative industries being an engine for urban Britain, which is alluded to in the Government's strategy paper? We are where we are, and it is enormously important that we get things right.

The creative industries are in pretty good, robust health. However, they need to be sensitively handled. They are fragile industries and things could so easily go badly wrong. We saw that with the dotcom companies and a number of new technologies and media organisations. We must be careful in applying policies to the creative industries. They must be applied sensitively, with due care and attention and always in consultation with the industries.

We must be aware that there is always a healthy tension between the creators and artists, and the idea of industry. I welcome that. It is a good debate that we should kick about and explore a little—where that energy, dynamism, talent and artistry start and how the idea of business and industry fits in on top of that. It is important that we acknowledge and consider that when looking at the strategies and policies required for the development of our creative industries.

I am a little disappointed about how the Government look after our creative industries. What disappoints me more than anything else is that things seem to be haphazardly organised. For example, it is unfortunate that responsibility is split across a number of Departments. In the Select Committee report from the hon. Member for Maldon and East Chelmsford (Mr. Whittingdale), a number of stakeholders mentioned that we need more co-ordination within the Government when looking after the creative industries. It is not good enough that things such as intellectual property and copyright remain with the Department for Business, Enterprise and Regulatory Reform, but that cultural and artistic responsibilities reside with the Minister and the Department for Culture, Media and Sport.

[Pete Wishart]

What might be even more disappointing is the fact that the Treasury likes to stick its oar in occasionally. We must remember that the Andrew Gowers review on intellectual property was Treasury-driven and reported back during the Budget. I happen to think that that is not the best way to look after such an important sector of our economy in need of such care and attention. I humbly suggest that we appoint a dedicated creative industries Minister, who could work across Departments and ensure that there is co-ordination and that the right thing is done to look after this very important sector.

I do not know what to make of the Government's strategy. Do not get me wrong: there are lots of good things in it. It is a good start to trying to bring together such diverse and divergent industries. I welcome the ambition to make the UK the creative hub of the world. In fact, we are probably that already, although it is not down to anything that this or previous Governments have done; it is just something that we do well. I understand the ambition, although I think that we will need a little more than £70 million of investment if we are serious about meeting it.

A number of policy announcements seem to rehash things that have been said before. However, there is a lot of good stuff in the strategy. In particular, I welcome the measures for tackling internet crime and piracy, and we heard several significant and worthwhile contributions on that. I do not think that the problem will be resolved with a voluntary code. There is no chance of that happening, so I think that legislation will be required to tackle the problem. Again, it is critical that we get that right, particularly for our film and music industries.

Mr. Don Foster: The hon. Gentleman might be right that a voluntary approach will not work, but does he not at least applaud the fantastic work being done—rather belatedly—to develop such procedures? Is he aware that Apple is negotiating the possibility of a £10 top-up on the price of an iPod, which is the biggest downloading device, and free downloading, which could solve the problem overnight?

Pete Wishart: I recognise the efforts being made, although I am not sure that I would support Apple's intention of putting a surplus on the cost of an iPod. That needs proper consideration. However, there are a number of initiatives and endeavours by internet service providers to tackle the problem. I get frustrated when I hear some of the public announcements by those ISPs that will do all that they can to thwart such efforts. They do not seem to be interested in engaging with the debate and tackling the problem.

I think that the Minister will have to legislate to get things right. I hope that, when legislation comes, we will also address the Whittingdale Junior issue—let us call it that. We must seriously and clearly get the message across that that is real crime. Stealing someone's intellectual property is as serious and significant as stealing someone's toaster, video or car. Even though it does not exist in a physical reality, it is still a crime. In framing legislation, we could have that debate and challenge such assumptions.

It is not easy for the Government, and I recognise the Minister's difficulties. How do we properly legislate for creativity? At its heart and engine are imagination and talent. We must approach those things in the right way in our strategies. We would not have the creative industries without the musicians, authors, writers and inventors. It is impossible to conceive of the creative industries without them, so they should be at the heart of policy thinking and the first to be consulted when the Government develop strategies and approaches. It is unfortunate that sometimes they are the last people to whom we turn when looking at such issues.

It will not surprise the Chamber if I turn my attention exclusively to the music industry, which is particularly close to my heart and about which I have a few things to say. We must acknowledge what a success story the UK music industry is; it has decades of unparalleled success. The UK music industry has dominated charts on both sides of the Atlantic and worldwide. Again, it is something that we do spectacularly well. We must do all that we can to ensure that it retains its predominant status in the world. Everyone has their favourites, but there is something about the way in which we produce and look after artists that ensures that we have such fantastic products. That is very important and valuable to the way in which we look after the music industry.

The music industry is more than just general economics, the bands and the artists; music gives added value to all the creative industries, and even to the general economy. When people are asked why they have broadband access, for example, they say that it is to ensure that they can get the music downloads they want. That is one reason why people get involved in new media in the first place, and that is what the music industry can add to all those areas. The music industry, possibly more than any other creative industry, is a particularly fragile instrument and organisation. It exists on the front line of digital and technological innovation, and all the time it has to watch its back for pirates and all the other technological innovators who are doing all they can to ensure that they get something for nothing from the music industry. We must be ever-vigilant to ensure that the music industry is protected, and that is why I welcome the Minister's strong words today to ensure that such people will be tackled.

The UK music industry needs our support, and I hope that the Government recognise its contribution and its critical role on the front line of technological and digital innovation, and that they will work with the industry to ensure that it is protected from such things. We must do more to ensure that we respect our artists and performers. I shall come on to term extension, but beyond that, it is important to ensure that our artists and performers are properly respected, acknowledged and rewarded for the work that they secure and achieve.

There is a fortune to be made in the music industry, and we all know about rich pop stars. I was listening to the Paul McCartney divorce trial—was he worth £200 million or £800 million? It does not really matter to me; all I can say is that it is a hell of a lot of money. In the 15 years that I spent in the music industry, I met many more poor musicians than rich, and the Musicians Union reckons that the majority of musicians live on less than £15,000 a year. There is no such thing as a minimum wage for a jobbing and aspiring musician; it is tough out there and these are really tough times for musicians. When they get that break—that one hit single, which is played throughout the years and the decades—it must be right to ensure that they are properly

rewarded for that contribution and do not have it taken away in their old age. It is absurd and silly that musicians and performers alone, among all artists, creators and performers, are subject to that unique discrimination. Why should authors, writers and all those other people who make such creative pieces of work be rewarded with lifetime plus 70 years, but musicians lose that reward after 50 years?

The situation is becoming critical. The late '50s and early '60s saw the first explosion of British music, when Cliff arrived, the Beatles were at the vanguard and Merseybeat dominated music, but their work is reaching the 50 years copyright cut off. At the launch of my private Member's Bill, I met Lonnie Donegan's widow, and she could not believe that American artists were protected and the copyright passed to their descendants, the next generation. She is subject to that cut off and does not receive a penny from her husband's estate.

Dr. Gibson: Is the hon. Gentleman familiar with the case in the United States whereby Cliff Richard increased the rights to his music to 95 years? Ninety-five years for Cliff Richard? It is unbelievable.

Pete Wishart: I can understand the hon. Gentleman's frustration, given Cliff Richard's great wealth, but the issue is not really about him, and sometimes it frustrates me when the argument becomes about the rich pop stars and artists whom we all like. They are mentioned, but it is not about them; it is about the guy who played bass guitar on "Move It", and the guy who played the drums on Cliff's first and second album. They will be receiving some royalties for their performance on the record, but in the next couple of years they will not receive any money for it.

Dr. Gibson: Will the hon. Gentleman add to that list the artists who, if they sell a picture, sculpture or whatever, receive only a small percentage? The agent takes most of it. It is like the situation on the football field.

Pete Wishart: I am not saying that some artists, creators or whoever should not be similarly rewarded. There is a very good point to be made on that, but I am talking about the music industry. I shall give the hon. Gentleman an example and refer to a single from that period again—the early 1950s. The writers, producer and the guy who designed the sleeve of that single will all get lifetime plus 70 years; the only people who will have the copyright cut off in their old age are the people who made the recording themselves—the musicians. That is clearly absurd and unfair, and I have never heard a reason why it could possibly be right. We heard from Andrew Gowers that it was all about the impact on the economy, and we have heard that that has been disputed. Charlie McCreevy, when he examined the issue in the European Union, disputed the idea that it would have an impact on the economy; in fact, he suggested that it would have a positive impact, because through the record companies, it would reward investment and artists. It would reward the companies for sticking with artists and ensuring that their work continued to be available.

I see no reason why musicians should not be properly rewarded for what they do, so I was immensely encouraged by Commissioner McCreevy's announcement a few weeks ago. It took us all by surprise, but he has clearly considered the issue and the best interests of the artists and the industry, and concluded that the best thing to do would be to increase copyright term for musicians and performers from 50 to 95 years. I do not want the Minister just to welcome and accept that conclusion; I want her to accept it enthusiastically, if that is not asking too much. I want her to get up and say, "This is the right thing by our industry and our artists, and we will do this." There is no good reason why the Government cannot pursue it, and with all due respect to her, she will probably have to do so anyway. It is not a red-line issue for the UK, so the Government will have to get behind it, and it would be best to get behind it now and say something positive to the music industry. We are looking for any acceptance of that conclusion by the Government, and she would earn great credit if she did so. She will not be able to do so this afternoon, but she should do so soon, because she will find herself being hailed as a great friend of the UK music industry.

We are, however, a million miles from the dark days of the Gowers review, and I do not want to spend too much time looking at what he said. I accept that there were a few good suggestions, but I have mentioned that it was Treasury-driven, and unfortunately he surrounded himself with economists and barely spoke to the artists and creators. Some of the consultations and submissions to his report were fine, excellent and first class, and his failure to acknowledge them in his recommendations was disappointing. He saw copyright as belonging not to the artists and the creator, but, almost perversely, to society and the consumer, and that it should be returned to the creator and artists only as a grudging concession and a pat on the back. It was an absurd way to start, but the review was full of it, and the section on term extension very much suggested and put across that viewpoint.

Gowers got it totally wrong. The music industry thinks he got it totally wrong, most hon. Members think he got it entirely wrong, and 36,000 musicians, from the high and mighty to the most humble who signed the petition, thought he got it wrong. It is time that we put it right, and we have the opportunity to do so with Commissioner McCreevy's appointment. I hope that we can do the right thing, put that historic wrong perpetuated against musicians right, and end the discrimination against performers and artists.

I like these debates because they always tend to be consensual and we do not fall out with each other. We are all veterans of these discussions.

Mr. Don Foster: I have the benefit of being able to see the hon. Gentleman's notes, to which he has hardly referred, and I see that he is coming to the end of them. Since he probably knows more than anyone else in this room about music and the music industry, may I urge him before he concludes to say a word or two about live music? He has concentrated heavily on recorded music, but I know that he knows a lot about live music, too.

Pete Wishart: I am grateful for that compliment. Live music is close to my heart, and in the creative industry strategy, there is, unfortunately, little mention of live music or its value. The big issue for me in live music is ticket touting and the secondary market of the internet. "T in the Park" takes place just outside my constituency.

[Pete Wishart]

It is the most successful European live festival and sells out in a matter of hours. However, most of it sells out to the secondary market on the internet, which, with live music, is what we should really be tackling. That is the real issue for live music, and I hope that the Government address it to ensure that music fans do not continue being ripped off.

I was about to conclude my remarks, as the hon. Gentleman noted, and I merely say that we are starting to get things right and I share the Government's ambition to make the UK a hub. Much of the strategy does not apply to Scotland, and Creative Scotland is being established in the next few months. We have our new culture Bill in Scotland, and we are doing very exciting and innovative work. However, we are interested in what is happening down here and particularly the idea of creative education. I would like to find out a bit more about that before I suggest to colleagues back in Scotland that we should be following that model. If creative education is just about taking kids to operas or museums without providing any real educational context, I do not think that there would be any great value in any of it. We must ensure that, when we are giving these experiences to children, it is set in a wider context so that real learning can be achieved.

These are good debates in Westminster Hall. We all tend to agree that this is the right thing to do and I think that we all support the creative industries. I very much hope that we can continue to develop them and I share the Minister's ambition that the UK becomes the world's hub for the creative industries.

4.10 pm

Joan Walley (Stoke-on-Trent, North) (Lab): It is a great pleasure to take part in this debate, particularly under your chairmanship, Mr. Weir, because I found out today what it is like to be sitting in the Chair with the referee's outfit on. I must say, echoing the hon. Member for Perth and North Perthshire (Pete Wishart), that this is clearly an immensely entertaining debate, and I have looked forward to it.

When we consider the creative industries, we hear a lot about music and entertainment. I represent Stoke-on-Trent, North, which includes the home town of Robbie Williams, and there are obviously huge issues about how we ensure that all our creative artists, whether they are recording music or performing live, are looked after, nurtured and encouraged, and how, in turn, they become the mentors for a new generation of people.

We have heard a lot from my hon. Friend the Member for Norwich, North (Dr. Gibson) about the creative writing group in the House of Commons. I must say, as an officer of the all-party group on jazz appreciation, that the issues that relate to music are really important. I hope that the copyright cut-off, which has largely been the subject of our discussion this afternoon, will be examined very closely by the Minister and that we will not have to wait and can go forward all guns blazing and emerge with a policy that does the right thing.

Given that this is a debate on the creative industries, I wanted to refer briefly to the "Creative Britain - New Talents for the New Economy" document and to flag up an issue that we have heard about, which is giving more children a creative education, including the "Find Your Talent" programme. I was interested to hear my right hon. Friend the Minister's comments about that programme. Having looked very briefly at the website and the criteria for the pilot projects that will be funded from the new money—I think that there will be 21 pilots in all—I should like to relay a message to my colleagues in Stoke-on-Trent, north Staffordshire, to urge them to put in a bid for some of that money.

As part of the regeneration exercise that we have under way in north Staffordshire, we are staging the second year of the Axis festival, which will encourage people across Stoke-on-Trent to take part in all kinds of music entertainment. At this point, I should declare an interest: my husband will be performing live in one of the festival's fringe events. I really believe that we should do everything that we can, particularly in deprived areas with a huge regeneration agenda, to encourage creative industries as part of a regeneration programme. I, for one, hope that I will have the opportunity to write letters in support of a bid that comes forward from my own constituency.

Perhaps not surprisingly, the main reason for my wanting to stay for this debate at the risk of not getting on one of the last Virgin trains before the work starts on the west coast main line—so entertaining is the debate that I am taking that risk—is to flag up the message that I have for my right hon. Friends the Minister and the Secretary of State for Culture, Media and Sport that, when we talk about this issue, as well as talking about music and art, we must talk about ceramics as a creative industry. If I am able to get that message across today and as a result engage with my right hon. Friend the Minister and with the Minister for the West Midlands in a programme of pledges and follow-up activities that relate to all the details of the commitments in the White Paper, I shall be very pleased indeed. I must say, happily, that I have already met with officials and with the British Design Council, along with colleagues from north Staffordshire.

Mr. Vaizey: I wonder whether the hon. Lady, given her interest in ceramics and craft, would support our proposal to take the Crafts Council back out of the Arts Council, which would give the crafts and ceramic design a much higher profile as a result?

Joan Walley: As someone who has not served on the Select Committee and who has not followed all the detailed developments that have clearly taken place in relation to where the Crafts Council should be in future, I am very hesitant to give my view on what is clearly a contentious issue. However, such is my confidence in my right hon. Friend the Minister that, whatever decision is made about where those different bodies should sit, I am sure that they will be placed in a position where they can make the best possible contribution to the creative industries.

I should like to go back to a document that has been referred to, "Transforming North Staffordshire", which is by the Work Foundation and Mr. Will Hutton. It is important that this debate reflects the fact that not only did Mr. Hutton contribute to one of the earlier stages of thinking on the current strategy, but he was commissioned by the North Staffordshire Partnership to produce this regeneration document and to contribute towards the

strategy for regenerating north Staffordshire. Obviously, creative industries featured in that document, and it is vital that we look at the synergies that exist. I have a very real sense that, unless we consistently put that message on the agenda, there will be a rash of activity that will relate to music or art, but ceramics will not be included in that activity.

I attended a festival where ceramics manufacturers were very much on the same side of the fence as those who are involved with the music industry and the record industry, and they have exactly the same issues about copyright. I say to my right hon. Friend the Minister that copyright is an idea that we must develop as part of the strategy.

I think that it would be worth while if I briefly gave some of the history of the ceramics industry, because there is a flawed argument that ceramics is all about heavy industrial pottery manufacturing. I just want to set out my concerns about the ceramics industry. As we face up to the challenges of a global economy, it is vital that we understand the industry and how it has developed from what was originally an arts and crafts movement to a heavy manufacturing industry, whereby drains and sanitary, refectory and hotel wares were its main means of going forward.

Today, the ceramics industry is about both heavy industry and the small and medium-sized enterprises, the design artists and craft-led artists. Very much in the tradition of people such as William Morris, Ruskin and so on, we now have a renaissance of artists, who perhaps have come through Staffordshire university and its wonderful departments. We have a large number of individuals who are now starting to generate a whole new economy; it is as though the whole ceramics industry has gone full circle.

It is, of course, important that we support the heavy industrial manufacturers and those in that sector who still have a huge contribution to make in terms of innovation, but it is just as important that we consider the smaller companies and the individual craftsmen and craftswomen who need the support of the creative industry strategy.

We have already had a commitment from the Secretary of State for Culture, Media and Sport that he will visit north Staffordshire, and we have already had the opportunity to discuss the possibility of having a design-led exhibition. However, we really need to consider how we can take forward the strategy document from the Department for Culture, Media and Sport and understand the detailed aspects of the ceramics industry, including its link to tourism, whereby a large number of people come to Stoke-on-Trent because of what they can buy or see there. We must use that as a basis for developing economic policy across the west midlands. I very much hope that the debate will mean that we can go full steam ahead and ensure that the ceramics industry is fully a part of the debate about creative industries.

4.20 pm

Mr. Mark Field (Cities of London and Westminster) (Con): The City of London is famously home to the UK's financial services industry. The hon. Members for Norwich, North (Dr. Gibson) and for Perth and North Perthshire (Pete Wishart) have somewhat gleefully pointed out that its pre-eminence in the UK economy might not be quite so pronounced in the years ahead, but they are right to focus on the creative industries. In addition to financial services, central London has every reason to be very proud, as it is at the forefront of creative industry. I hope that the hon. Member for Stoke-on-Trent, North (Joan Walley) will forgive me if I do not talk too much about ceramics, as I shall focus on areas that the public tend to associate with the creative industries, such as film and TV. That is not to downplay any of her comments, however, and I hope that the Minister takes on board the concerns that she voiced in this interesting debate.

English is now the universal language of business and the creative culture in London and the UK assists in reinforcing the global competitive advantage that we have with our creative industries. In my constituency, particularly in Soho and the west end, lies the heart of the British media, TV and film industry. We also have great success in design. Good design is ever more at the forefront of consumers' minds. That is a strong sign of a democratic—that word has been used by several hon. Members today—active society that values choice and consumerism. It also leads the whole debate on design, which requires active input from the public at large—from the old and young alike. We must consider not only what is esoteric, but what is significant, in relation to design issues. With those elements, the UK creative industry is at the forefront of many international developments.

We have great expertise in elements of information technology and much originality in the computer games industry. With Japan, we are world leaders in that area. I had the opportunity to visit such a company in Soho only a few months ago. Its offices, in a Soho back street, seem very unassuming from the outside, but inside it is enormously energetic. The offices are open plan, which is how those young, energetic businesses run themselves. They are not exclusively young, but given all the state-of-the-art technology, the people working there are generally in their 20s. There is a sense of energy in the midst of the roads that are made up of cafés, restaurants and seemingly faceless offices. It is amazing to think that those enormous, energetic, world-beating industries are just 2 or 3 miles from where we stand. When I met the people who work there and who run those businesses, I was struck by their passion and commitment to reaching the highest level of technical skill. They have a real determination to ensure that nothing is left to chance and that excellence is maintained. Without that excellence, our creative industries would suffer.

It is both positive and negative that many young people who are not UK citizens work in those industries. Clearly, we are a beacon for young computer programmers from the Indian sub-continent, in particular, and from eastern Europe, but the downside is that too many among our indigenous population have insufficient skills. I shall focus some of my comments on that issue, and I hope that the Minister will take them on board.

There is little doubt that the creative industries as a whole rank as the next most important economic driving force after our financial services industry. It would be wrong to exaggerate some of the problems that the financial services are suffering at the moment, but there is no doubt that in a world in which leisure will become ever more important, we have enormous potential. The middle classes in India and China are increasing enormously,

[Mr. Mark Field]

by 20 million or 30 million people a year, and those people will be global consumers in the years ahead. That is not to say that Bollywood will not remain important—it will be an increasingly important film business in the decades ahead—but our advantages in areas such as computer gaming and many creative industries will ensure that we can export tremendous skills and passion to many overseas shores.

In the worlds of broadcast and new media, the tremendous combination of British flair and innovation plays a leading role in creating new products and exporting expertise to the developing world as a whole. We must ensure that the vibrancy in the creative industries is fully recognised at home and promoted to an outside world that is ever more hungry for developments in that field. To do that, we need to ensure that we have a rigorous education system in the creative arts and its allied subjects. A depressing element of life in the summer is the predicable reaction to the announcement of A-level and university results. Commentators who really should know better—some Conservative and some Labour—bemoan the emergence of media studies and film and TV courses at the expense of traditional, academic, higher education subjects.

It is important to encourage the uptake of demanding courses at our universities, but that should not be the whole story. We must also promote the best vocational courses. The flurry of disapproval of those who do media studies or other so-called soft courses is very disheartening, especially as that is where many of the employment opportunities and openings of the future will lie. Indeed, graduate employment statistics bear that out: unemployed media studies graduates are rather less in evidence than unemployed graduates of many more traditional degree subjects. The real issue is not the number of A-level or degree students doing media studies but ensuring that the courses on offer are rigorous enough. Far more needs to be done to involve companies and people who work in the creative industries to ensure that the courses being studied are practical and effective. As several hon. Members have commented, this is a fast-changing world, and such courses must change accordingly.

We should encourage our creative industries to work closely with our universities to make media studies, and other courses in the fast-growing roster of related courses, a fast track towards the skilled and creative industry openings that I have mentioned. That should not mean, however, that we forget the importance of energy, innovation and flair. It is important that we do not take an overly bureaucratic approach. Having worked in the creative industry, the hon. Member for Perth and North Perthshire is probably aware that it is taking a slightly schizophrenic approach to say that we want to have structures, because the very nature of working in the creative industries is that the lifestyle is unstructured. That is not to say that when such people get to their 50s and 60s, they do not regret having had an unstructured lifestyle which may mean that they do not have a pension. Nevertheless, we must avoid stifling the flair and innovation in the acting, music and other creative industries by being too rigorous. That inevitable tension and strain will surround any policy making in this area, because creativity, rather like entrepreneurialism, cannot simply be taught in the classroom. We can ensure, however, that the skills picked up during a degree or diploma course are made as practical as possible.

We must remember that most of those who work in our creative industries are employed in small businesses—often start-ups and one-man or one-woman shows. With that in mind, some of the changes to the capital gains tax regime are especially bad news for some small, start-up businesses. It makes a mockery of the warm words and positivity in the Government's creative industries document if, at the same time, young, innovative fashion designers and other artists face greater barriers to the development and expansion of their businesses under the capital gains tax regime that is in place. I support the simplicity of an 18 per cent. rate, but many start-up businesses that are going to be sold off in a relatively short time would have qualified for a taper relief down at 10 per cent. Again, in fairness to the Government, that taper relief has been in place only since 2002. It is not as though they are throwing away many years of tax advantages, but it is to be regretted that, in many ways, some of the biggest losers are not those whose voices are the loudest.

As the Member who represents the City of London, I have spoken openly of some of my concerns about vocal complaints from the non-domiciled community about changes to their tax, many of which I believe would be supported by the public at large. But in respect of small, start-up businesses, particularly in this important sphere, there will be many young, creative entrepreneurs who will have good reason to regret that the capital gains tax regime has been changed to their detriment.

Our nation has been at the heart of global trade and the financial and commercial services fields for some centuries. As I mentioned earlier, there is the rapid emergence of two enormous markets today, let alone in the decades ahead: India and China, with more than 2.5 billion consumers. They will undoubtedly be the economic superpowers of the future. For Stoke-on-Trent, North, certain elements of that will probably result in somewhat heavy hearts, but there could be tremendous advantages for the creative industries.

In answer to my earlier intervention, the Minister rightly pointed out that the real challenge for our creative industries is to ensure that they can add value by employing the highest skills possible. It is all the more important, therefore, that we promote spheres of excellence and comparative economic advantage. We need to maintain our place as one of the world's great innovators in film animation, computer games and all other parts of the creative industries. That will happen only if we encourage our young people towards creative university degree courses as well as the more academic options that are available. In that way, we will continue to compete with the growing capabilities in the Indian sub-continent and the far east, and I suspect that the benefits to our nation will be clear not just today but hopefully for generations to come.

4.31 pm

Mr. Don Foster (Bath) (LD): I am delighted that we have the opportunity to have this debate. As has been said, it is disappointing that a debate on something that everybody in the room has said is crucial for the future

of this country is taking place at the fag end of the parliamentary week, just before a holiday. It deserves much greater prominence.

None the less, we are having a debate, and I am delighted to have an opportunity to join in. We have already had some fantastic contributions from both sides of the House. It has been a stimulating debate, and I have learned a great deal. I am grateful to hon. Members for the insights that they have shared.

I have only one criticism. It is of the hon. Member for Norwich, North (Dr. Gibson), who, in a passing reference in his speech, referred to the excitement of the creative writers down the corridor. He said that he was at the other end of the corridor doing boring, nerdy science. Those were his precise words—I wrote them down. I am sure that he will reflect on those words and regret them. I know that he believes that science is extremely exciting. Indeed, the stories of why Tycho Brahe spent his life doing fantastic science with an amalgam nose, or of what James Prescott Joule did on his honeymoon and the contribution that that made to the development of science, are as exciting as some of the stories by the people at the other end of the corridor to whom he referred.

This is a very important debate. Sadly, nobody so far has used it as an opportunity to point out that this week we have seen the deaths of two important people who worked in the creative industries. The passing of Anthony Minghella at such an early age is a huge sadness, because he made a huge contribution, and Arthur C. Clarke, with his fantastic ideas about communication satellites, all his science fiction, the film "2001" and so on is also a great loss.

This debate is about ensuring that we can provide the framework to find, nurture and develop the talents of future Minghellas and Clarkes. I am therefore delighted that the Government, through their various Departments—I shall come back to that point shortly—have pulled together this document and shown that they believe that the creative industries are critical for our future. I shall criticise one or two of the proposals contained in it, but, broadly speaking, it is an important and exciting document that helps to chart the way forward.

I note with considerable interest Simon Hoggart's sketch in *The Guardian* on 11 March, in which he referred to the Minister. I note that he says that he is fond of her—we are delighted—but makes the point, with some validity, that some of the figures that are used by the Government are enormously precise for an industry that is incredibly diverse and difficult to get hold of. To be told that it makes up

"7.3 per cent. of our national output"

and contributes a value of £60.8 billion is probably going a little far with the gathering and analysis of statistics. None the less, that is the order of magnitude. Those figures illustrate just how important a part of the economy and the lifeblood of this country the creative industries are.

Of course, we have a difficulty in defining creative industries. I listened to the important speech of the hon. Member for Stoke-on-Trent, North (Joan Walley) about an issue that she, coming from the Potteries, understandably feels passionate about: ceramics. She will be disappointed to note that the definition of creative industries in the document features only as a tiny footnote—it is not in the main body of the document. There is a definition, but it does not include the word "ceramics". I assume that ceramics are included in crafts. The document points out that the list is not exclusive, so she can have hope that the word "ceramics" might be included.

Joan Walley: Will the hon. Gentleman give way?

Mr. Foster: I give way to the hon. Lady, who has read the document even more diligently than I have.

Joan Walley: I am most grateful. I have indeed read the document with a toothcomb, and I take great heart from a comment on page 64, which I referred to earlier. It states that the ceramics movement is redefining itself

"as part of a new creative economy."

That is good enough for me, and good enough to ensure that the Government will work with me in that area.

Mr. Foster: Excellent. I am delighted that the hon. Lady is satisfied, but perhaps she could persuade the Government that, if they rewrite the document, the footnote to page 6 could say a little more about ceramics. None the less, she is right. *[Interruption.]* The hon. Member for Wantage (Mr. Vaizey) from a sedentary position disagrees, but he will make his contribution in a few minutes, and all will be well.

It is important for anyone who speaks on behalf of a political party to reflect clearly their party's views. Therefore, I want to say that there are many areas in which we believe that this country is doing incredibly well. Music has already been mentioned. There is no doubt that this country is a global force in music. It is, arguably, the third in the world in terms of the music market, but it is probably No. 1 in the world for innovation and creativity, and that is crucial.

We discussed copyright, to which I shall briefly come in a few seconds. We have already heard about the importance of addressing illegal downloading and, of course, illegal uploading. I shall not repeat the comments that I made when I intervened in that discussion, but one of the difficulties is that while we can find the internet protocol address of those who are guilty, it is very hard to obtain their physical location. Mr. Whittingdale Junior must be worried: he is one of the few people for whom we do not know the IP address but do know his physical address, and that, of course, is what is needed for prosecutions to take place.

The design industry is worth some £10 billion a year. The fashion industry, which raises £100 million in fashion week alone for the London economy, is critical. Advertising, which has not yet been mentioned, is a critical part of the creative economy, funding 95 per cent. of our national press and 95 per cent. of commercial radio.

Film has rightly been mentioned. There have been fantastic successes in films, including those supported by FilmFour, such as that wonderful animation, "Peter and the Wolf", which is well worth seeing and won an Oscar. I strongly recommend it. There is a long list of Oscar winners, including Daniel Day-Lewis and Tilda Swinton. Tremendous work is being done to try, voluntarily—I accept the points made earlier—to tackle the uploading and downloading of film on the internet. That is as important an issue in respect of film as it is in the music industry.

[Mr. Don Foster]

Wonderful work is being done by all sorts of organisations. BBC Blast deserves a mention, because it is targeting disaffected teenagers and getting them involved in the creative industry. Tremendous work is being done by the British Council, which is rarely mentioned in debates about creativity. However, the British Council is increasingly focusing its work in this field, which is welcome. It has created a series of awards celebrating Britain's experience and expertise in the creative industry.

The video game industry has been mentioned briefly and only once in this debate, by the hon. Member for Cities of London and Westminster (Mr. Field), but we should not forget it, because it is the fourth largest in the world and, sadly, so often the all-purpose punchbag for politicians. Yet the vast majority of what it does should be applauded and celebrated by all of us in this Chamber.

We have touched only briefly, and rather oddly, on the tremendous success due to creative partnerships, a Government initiative that I was critical of in its early days that has now transformed itself so much that it deserves to get a plug for its work. Some fantastic things have come out of that. I am saddened that there is not more in the Government's document about how to build on that existing structure and develop it, rather than suggesting adding new structures.

The document mentions some fantastic things, which I welcome, including the development of 5,000 apprentices a year, the five new centres of excellence in creative skills and the world creative business conference. It will be worth considering how the latter can develop. Although I note the Minister's enthusiasm, I am not entirely convinced that that is the way forward. However, it is worth considering. I also welcome the creative choices careers scheme.

There are many good things, but is important to consider some of the concerns. The Chair of the Select Committee, the hon. Member for Maldon and East Chelmsford (Mr. Whittingdale), was right to say that intellectual property is central to this debate. We are talking about creative industries and wealth generation as well as everything else and, unless we address intellectual property rights effectively, the rest of it is pretty meaningless. It is critical that we get right some of the things that we currently do not get right. The most obvious example of that—I accept that it is by no means the only one—was raised with passion by the hon. Member for Perth and North Perthshire (Pete Wishart) and by the hon. Member for Maldon and East Chelmsford.

I shall place my cards clearly on the table. It is wonderful that the Commissioner is now talking about an extension of copyright to 95 years, because that is exactly what is required. However, were the Minister persuaded by the arguments to go ahead, eventually, there are two possible caveats that she might wish to consider. First, although nearly every item will be placed on the web, because there is a possibility of its generating at least some income, it may still be possible that some items, which are held with an extended copyright, will never see the light of day. There ought to be some sort of "use it or lose it" clause, saying that if an owner of a copyright is not going to use the item, somebody else could use it in some way. There ought to be a mechanism to ensure that that is possible.

Secondly, although modern technology is such that this caveat is not particularly necessary, it is important to recognise that the holders of copyright have an archival responsibility. In the past, master discs have been broken up, used as rubble to provide foundations for new buildings and lost forever. There should surely be a requirement for copyright holders to hold on to the material, bring it up to date in terms of new platforms and technologies and ensure that it is secure. There should be a historical, archival responsibility alongside copyright. I hope that, with those two small caveats in mind, the Minister will be willing to look at the 95-year extension.

The hon. Member for Maldon and East Chelmsford made a valuable contribution in talking about the fragmented responsibilities in respect of the creative industries. The document mentions DCMS, BERR and DIUS—I begin to lose track of all these acronyms—and refers specifically to other Departments with responsibility, including HMT, DCSF and DCLG. Frankly, most people working in the creative industries do not have the foggiest notion what all that lot means. They do not know who to see, what the point of contact is, where to look for support, how to find out what the legislation is, or anything else. A much tighter focus is vital. Of course, cross-departmental working is important. I welcome its being discussed—but it is unclear where the funding responsibility lies.

The document mentions precise figures. I love the way it is £70.5 million, not £70 million—although the £500,000 might be important to some projects. When I mentioned the 29p per week figure, the Minister said that a lot of other things were going on. However, the figure does not just come to £70.5 million. Why that figure is included is beyond me. Millions of pounds are being spent in this area. Why have we not brought all that together and attempted to show what the Government are spending, how it is spent and where they will be bringing in extra money?

I am delighted that the Minister agrees about the fragmented responsibilities. Lottery distributors also need to be examined. Excellent work is being done by the Arts Council, the UK Film Council and the National Endowment for Science, Technology and the Arts, which is critical and I am delighted the Minister mentioned it. We need to look at their areas of responsibility.

There are some simple issues in respect of which the Government have not addressed properly some of their own failings. For instance, participation in the arts and attendance at arts events is essential—the Minister acknowledges that and it is mentioned in the document—yet, at the moment, the Government are failing. Their own figures show that before they cleverly abolished the targets, they were not meeting them. The former Secretary of State for Department for Culture, Media and Sport, now the Secretary of State for Work and Pensions, said that the Government could get rid of those targets because they were no longer needed as the Government were achieving everything they wanted to achieve. The truth is that the Government's own report shows that we are not meeting those targets.

If anybody doubts what I am saying, the figures are in the DCMS report, which shows, for example, that in respect of attendance at arts events by priority groups the baseline figure expectation of 33.7 per cent. only got to 33 per cent. There was also a failure to achieve the

targets for participation in arts activities. Although the Government have rightly been applauded for the effect of free entry to museums, they have failed to meet their own targets, even in respect of attendance at museums by the various interest areas, including black and minority and lower socioeconomic groups. There is work to be done on including people.

I know that there are big ideas and big issues in the document, but some of the basics are really important. There is no point in talking about a few extra million, welcome though it is, at a time when, for instance, the number of people going to museums and the funding available to them are decreasing. Many museums are funded by local government, whose funding is being heavily squeezed under the recent settlement. If the Government want to talk about cross-departmental working, the Minister should be talking to those responsible for the local government settlement, which affects matters of her responsibility.

Interestingly, the document mentions such things as studio provision. I am sure that the Minister will know that particularly in the east end of London, perhaps because of the build-up to the Olympics, there is no point in talking about additional studio provision, because existing studio provision is being reduced dramatically. There is a lot of work to be done, and in places the document fails to recognise the basic realities that are affecting the creative industries.

Earlier, the Minister cleverly elicited from Members in all parts of the Chamber an indication that we somehow totally supported her "Find Your Talent" scheme. She listened to the interventions very well, but then suggested that we all supported the scheme entirely. The principle is wonderful in many ways, with the additional focus on and attention to creativity and culture in education, which I welcome. She has done herself a huge disservice, however, by aligning herself with the initial announcement of five hours of culture a week. That implies that culture is somehow separated from everything else.

Margaret Hodge *indicated dissent.*

Mr. Foster: The Minister shakes her head, but I listened to the interview on the "Today" programme with the Secretary of State, and I have listened to the way in which people have understandably picked up on the five hours of culture, done their sums and worked out that the funding for each pupil will be less than 6p an hour. Why was everybody doing those sums, if we were not talking about a set number of hours? We should integrate cultural activities and creativity far more in the curriculum, rather than talk about add-ons. I am delighted that the Minister believes that I am right about that, but I say to her that the document does not say that—it gives a very different impression.

If the Government introduce the five hours of provision, they will get into a great argument with people like me, who point out that targets are not being met and that definitions are fiddled. The Government claim that they have met their commitment to two hours of physical education in school, but they have not. Some 1 million children lose out, and the two hours include changing time. What will be the fiddles in this case? Instead, let us have culture integrated.

The hon. Member for Wantage is desperate to make a long speech—he has indicated that to me twice. I hope that I have shown that my party and I feel passionately about the matter. We support the direction in which the Government are moving. There is much more work still to be done, but I am genuinely delighted that progress is being made and that the creative industries are beginning to be given the prominence that they deserve. I know that he is about to develop that point still further, and that he shares my views on it.

4.53 pm

Mr. Edward Vaizey (Wantage) (Con): It is a delight to appear in this important debate under your chairmanship, Mr. Weir. I did not mean to cut off the hon. Member for Bath (Mr. Foster) in his prime. He is my parliamentary mentor; he has guided me for the past three years in this place and, indeed, for many years before. He is a man of passion and commitment, but I simply wished to indicate to him that he was approaching his allotted time and might wish to start to apply the brakes. I did not mean him to come to a juddering halt. I apologise if that was the result of my gesticulation. One problem that I have is that much of what the hon. Gentleman said was what I was going to say.

Dr. Gibson: Oh, good.

Mr. Vaizey: I am deeply offended by the hon. Gentleman. He has just taken over the role as my mentor, as he is now my boss as the chairman of the all-party writers group, of which I am the secretary. There we are—a slap in the face from my new mentor.

As the hon. Member for Perth and North Perthshire (Pete Wishart) pointed out, this is the first time that we have debated the creative industries for many years. We are doing so in a poignant week, the day after the death of the extremely well known, Oscar-winning director Anthony Minghella. It is only right that we pay tribute to him for his achievements. In many ways, he personified the success that the creative industries in this country are capable of achieving: a domestic product with a global audience and global success.

We have kicked around the statistics about the creative industries. I do not propose to repeat them, but I share the wry amusement of the hon. Member for Bath that we have the absurdly accurate figure that the creative industries account for 7.3 per cent. of our national outputs. We know that the figure is large: as the hon. Member for Perth and North Perthshire pointed out, the OECD puts the contribution of our creative industries above those of many countries where we might think it would be higher, such as the United States, Canada and France. Those industries are incredibly important, and I join the Minister in paying tribute to Lord Smith of Finsbury, the former Secretary of State. He deserves credit for creating the creative industries mapping document and putting those industries firmly on the map.

I agree with the hon. Member for Bath that the video games sector is often the Cinderella of the creative industries, despite its enormous importance. It is responsible for 30 per cent. of our media exports and is the fourth largest video games sector in the world. The British film industry is also the fourth largest in the world. *[Interruption.]* It is the third largest in the world, with a global share of 8 per cent.

[Mr. Vaizey]

Our advertising industry contributes £5 billion a year, and our television programmes sell worldwide. No one has mentioned the huge success of Sky and ITV, as well as that of our much loved BBC. We have our contemporary arts and fine art trade, with the Frieze art fair alone contributing £100 million in sales. Ceramics have had a huge outing during this debate, and of course music contributes some £5 billion to the economy.

We are here, however, to debate the Minister's important strategy paper. I am afraid that I do not agree with the golden review that she gave it, along with the people who were strong-armed and half-Nelsoned into saying that it is the best thing since sliced bread. People who are not in the pay of the Government have given a slightly more realistic view of where the paper sits in the debate on the creative economies.

A creative consultancy called BOP Consulting, which was responsible for the recent cultural audit of London on behalf of the Mayor, makes the point that

"the UK is no longer leading policy thinking on the creative economy".

It states that 16 developed and emerging economies

"have policies relating to the exploitation of their creative assets as part of broader industrial and economic strategies... Seen in this global competitive context, the Creative Economy Strategy is nowhere near ambitious enough. It lacks a larger future narrative, a big idea".

I think that that is how it has generally been received—as a lot of small, bitty announcements rather than a wider narrative.

Something that has perhaps not emerged in the debate is the fact that there is no room for complacency about the success of our creative industries. My hon. Friend the Member for Cities of London and Westminster (Mr. Field), in particular, touched upon the threats and opportunities provided by globalisation, particularly from China and India. BOP Consulting points out that job numbers in the creative industry

"seem to have peaked in the early years of this century and not moved much since".

We talk about the creative industries growing faster than the real economy, but a lot of that growth took place during the dotcom boom.

We have waited a long time for the strategy paper. It was first mooted some three years ago, since when we have had the creative industries discussion forum, the creative economy programme, the Work Foundation's "Staying Ahead" document and, finally, what was meant to be a Green Paper but was finally downgraded to a strategy paper. Its 80-odd pages contain six reannouncements, four reviews, five consultations and 12 uncosted promises. Most of it reads like a Stalinist five-year plan, with numerous micro-initiatives and additional bureaucracy where it is not needed or wanted. With the paper, the Government show that they fail to realise that the real way to help the creative economy is by breaking down the barriers created by over-regulation, excessive tax, poor infrastructure and low educational performance, rather than with unfunded, reannounced gimmicks.

Nevertheless, as the hon. Member for Bath indicated, the Government have not been shy about promoting the document. No less than two Under-Secretaries of State, one Minister of State, three Secretaries of State and the Prime Minister himself have their mugshots on it. My favourite part of the document is the Prime Minister's introduction, which was written by a ghost author with a gift for subtle satire. He starts:

"Britain is a creative country. You can feel it every time you visit one of our great museums, galleries or theatres. You can see it when you watch the best of our television or play our imaginative new computer games".

That conjures up the surreal sight of the Prime Minister in his garret at No. 10 Downing street playing a political version of Manhunt 1 or 2 with Tony Blair or Peter Mandelson as the quarry. Such hyperbole continues. The Prime Minister—perhaps I should refer to him as the great leader—wants to

"give everyone the opportunity to unlock their creative talents."

Perhaps that is why he is filling Downing street with PR executives. He goes on to say that he is

"proud of the talented people in this country."

The coup de grace is the video that can be downloaded from the Downing street website on which the Prime Minister is interviewed by Blur's drummer on the importance of the creative industries strategy paper. We have gone from Oasis under Tony Blair to Blur under the Prime Minister. Who said that "Cool Britannia" was dead, or that new Labour would turn away from celebrity endorsement?

The main announcement in the creative industries strategy paper is the "Find Your Talent" programme, which is otherwise known as the so-called cultural offer, but sounds a bit like a game show. It is a pilot programme of five hours' culture a week for every child in the country. The flagship announcement had already been announced twice: by the Secretary of State for Children, Schools and Families and by the Minister. It is a £25 million pilot programme over three years in 10 areas, but we do not know where it will go after that.

Other people have had similar ideas. The Association of British Orchestras has already announced that it would like every child in the country to go to a classical music concert. Our own arts taskforce—it cost absolutely nothing, as opposed to the huge expense behind the strategy paper—last year proposed a cultural offer and clear policy proposals, thus indicating joined-up thinking, including improved teacher training, a schools mark for organisations that participate in the cultural offer and pathways to sustainable training for young people.

The Minister asks us to have faith that the Government's cultural offer will work and take off, and she mentioned the huge success of the Government's sports programme, yet 1 million children a year are still denied two hours' sport a week. The Government's cultural offer was announced in the same week as the Arts Council, which the Minister applauded in her opening comments, cut £150,000 from the National Youth Theatre, thus demonstrating yet again their inability to follow-through on joined-up thinking.

The document refers to creative apprenticeships, which may be a good idea, but it was announced in the 2005 Labour party manifesto and last year. It is just another reheated announcement. The draft strategy paper referred to 1,000 apprenticeships, but now there are to be 5,000. The figures seem to be worked out on the back of an envelope.

NESTA's creative innovators growth programme was put in the strategy document, but is perhaps a rehash of its highly successful Creative Pioneer Academy. That Labour party manifesto commitment was wound up last year after only 80 people attended the academy. There was also a pledge to explore the benefits of a 14-to-25 academy for the creative industries, but that is an idea from the university of the Arts, not from the Government.

There was a commitment to champion London's festivals, but the ink was barely dry on that commitment when the Minister was putting it into practice by celebrating the success of the Proms and giving them two days of fantastic coverage. The reannounceme at to protect live music venues was made in the same week that Ken Livingstone announced that the Astoria will be knocked down to make way for Crossrail. Finally demonstrating the arm's length principle for the Arts Council, it was announced that it would be used to take forward the Government's creative industries strategy.

Other ideas have fallen by the wayside. Earlier drafts referred to a major inquiry, chaired by a vice-chancellor, into putting art and design colleges and conservatoires centre stage. Presumably, no vice-chancellor knew what that meant, so none has been found to chair the inquiry. I am sad that the wonderful proposal to support a study to produce greater coherence within the British fashion industry did not make it into the final strategy paper. The jokes would have been just too easy. Seventy million pounds may be a lot to money for hon. Members, but it is not a great deal in terms of the investment that might be needed to support the creative industries and to make a difference.

The hon. Member for Bath hit the nail on the head, as indeed did the speeches from other hon. Members, when discussing what links the creative industries. We are talking about the big ideas on piracy, intellectual property enforcement, copyright and the infrastructure for technology. In the document, the Government again gave a commitment to consult on enforcement against internet service providers, to promote better understanding of intellectual property law and to increase some of the penalties for infringement. The threat against ISPs has been around for more than a year, and the Government's first proposal was in the Gowers report, but there has been no action since.

It is frankly depressing that the second most important announcement in a creative industries strategy paper is effectively more than 14 months old. My prediction is that the Government will not legislate. It is much easier for them to say that they will legislate than to do so. Most people believe that they are looking at what the French are doing, but the French are finding it extremely difficult to draft appropriate legislation that would be effective. The Movie Producers and Distributors Association and other organisations are in talks with ISPs, and they will probably announce a voluntary code within the next few weeks or months. The Government, of course, are welcome to take credit for that, but there is unlikely to be serious legislation, although the intention to legislate will no doubt be reannounced in a creative industries document in the next two years or so.

I concur with hon. Members, particularly my hon. Friend the Member for Maldon and East Chelmsford (Mr. Whittingdale), that when we talk about piracy and theft, the gulf between what we commonly understand as theft in terms of taking an object that we can see and theft in terms of taking a piece of intellectual property is huge. The real solutions will probably be driven by technology and new business models. Two or three hon. Members mentioned the idea that Apple is working to introduce a voluntary £50 charge to people who buy an iPod and want unlimited downloads from iTunes. It is pretty obvious that the vast majority of people want to buy films and music on the internet legitimately for what they perceive to be a reasonable cost. The more the industry can provide them with safe, secure and straightforward ways of doing that, the more it will be able to monetise the digital environment.

As hon. Members have discussed, we need an urgent review of our copyright laws. The hon. Member for Perth and North Perthshire made an overwhelming case, which has been endorsed by the leader of the Conservative party, my right hon. Friend the Member for Witney (Mr. Cameron), who announced last year that the next Conservative Government will extend copyright for performers to 70 years, but it is obvious in the light of Commissioner McCreevy's announcement that the period must be carefully considered. I have told the hon. Gentleman that the Conservative party will consider the matter, but we have moved beyond Gowers and intend to extend copyright, although there will obviously be a debate about the specific period.

Broadband is another huge issue, and again the Government are considering a review on removing the barriers to next generation broadband. That is welcome, but the creative industries that depend on that important element of infrastructure would be forgiven for saying, "What will another review do? Let's have some real muscle behind getting next generation broadband, so that we can start to compete with city states such as Singapore and other countries that are putting in the infrastructure for very fast broadband very quickly."

The Minister has made it clear that the creative industries share characteristics with a range of other businesses. My hon. Friend the Member for Cities of London and Westminster made the point that the creative industries, like any other industries in our country, depend on a stable economy, although it has to be said that creative businesses are predominantly small businesses and sole traders. Those are extremely important factors.

However, last week's Budget was not a Budget for the creative industries or for business. Capital gains tax for entrepreneurs increased by 80 per cent., and the 10p starting rate of income tax was abolished. As the hon. Member for Perth and North Perthshire pointed out, there may be rich rock stars, but there are also very poor musicians who are being hit by that tax. At the other end of the scale, the sustained assault by the Government on the venture capital industry and non-doms has resulted only today in Terra Firma announcing that it might well up sticks and move abroad. That might be the start of the flight of many venture capital companies that are involved in pump-priming and investing in early-stage companies in the creative sectors.

There is also huge concern about the extension of the Transfer of Undertakings (Protection of Employment) Regulations. Perhaps the Minister will address that specific point. I understand that the changes mean that the provisions will be extended to certain professional sectors such as advertising and other creative industries. That is causing huge concern in those industries.

[Mr. Vaizey]

The enormously important issue of education was ably covered by the hon. Member for Norwich, North (Dr. Gibson), my current mentor. I hope that he does not take it amiss that I regard him as my mentor. He said that there is too much of a focus on Oxford and Cambridge. It is true that only two of the top 20 universities in the world are British. America is home to 17 of the others, and California alone has three of the top 10. Obviously, there will be a huge issue about upskilling and upgrading our universities.

I cannot remember who talked about the fact that there are so many media studies courses in universities at the moment and so many courses whose titles include the word "film". I think that it was my hon. Friend the Member for Maldon and East Chelmsford —*[Interruption.]* I have been corrected: it was my hon. Friend the Member for Cities of London and Westminster. He made a fair point, because people working in the video games industry employ graduates with maths qualifications and computer science qualifications, and the video games industry is one of the industries that points out that the number of graduates in those subjects has fallen by one quarter in just the past four years.

The hon. Member for Norwich, North has, with me, been engaged in lobbying the Government on the dramatic cuts in the Science and Technology Facilities Council. Again, that is putting people off going into careers in science. Science degrees and the creative industries might appear to be an odd combination to talk about, but the fact remains that a great many science graduates go on to work in what we regard as creative industries, so that is incredibly important.

Joined-up government—a subject not really touched on in the strategy paper—is vital in this field. The Minister's predecessor, who is now the Secretary of State for Northern Ireland, proposed in an early draft of the document a creative industries ministry. That was a bold idea, which I am not sure I support, but I certainly think that there should be hard thinking about where responsibility lies for copyright and patent law and whether Departments should start to swap responsibilities so that, as the hon. Member for Bath said, people who work in the creative industries know where to go for a range of advice and the policy can be joined up. That said, the creative industries are so vast and so eclectic that we will never achieve a perfect solution.

One small point might be worth illustrating. Some artists in London have expressed anger against Ken Livingstone because of what they perceive as his bias in favour of developers. They make the point that many small spaces in London for artists are disappearing. The author of a book called "The Warhol Economy" makes the point about the New York economy depending on creativity and so many people in New York now being forced out into the suburbs. Here, joined-up thinking in planning is perhaps necessary. The Minister has a strategy for rehearsal spaces for live music, but the Visual Arts and Galleries Association wants a strategy for studio spaces for artists, too. There are always tiny issues—well, they are not tiny for the people involved. Perhaps I should say that there are always niche issues that cut across a range of Departments, but I certainly think that after the Minister has finished reviewing the role of the Arts Council, she should consider how we can get a proper organisational structure in place to deliver the most effective Government support for the creative industries.

5.15 pm

Margaret Hodge: I should have said this in my opening remarks, but I join other hon. Members in recognising the enormous contribution made by Anthony Minghella, and not just to the film industry, although I genuinely think that had it not been for him, we would not now be planning a new film centre on the south bank with £50 million in funding. He played an enormous role in persuading Government to introduce the film tax relief, which has hugely benefited film. In his work outside film, I recently saw his production of "Madam Butterfly" at the English National Opera—the direction was stunning—and he also helped the Labour party with an excellent party political broadcast.

Dr. Gibson: Sensible man.

Margaret Hodge: Absolutely. Nothing could be better than having the Minghella centre on the south bank. I think that that would be a huge tribute to his contribution.

This has been a great debate. I think that it was a little spoilt by the hon. Member for Wantage (Mr. Vaizey), who showed the usual cynicism and negative approach.

Mr. Vaizey: Will the right hon. Lady give way?

Margaret Hodge: No, not at this point. The hon. Gentleman showed the usual negative approach and cynicism, facing both ways without showing any joined-up thinking.

Mr. Don Foster: Does the Minister suspect that the rather cynical view of the hon. Member for Wantage is a reflection of the fact that I have now apparently been dropped as his mentor? As a result, his tone has changed.

Margaret Hodge: I know that my hon. Friend the Member for Norwich, North (Dr. Gibson) is absolutely exhilarated by the thought of becoming the mentor of the hon. Member for Wantage—he showed that by various gesticulations during the debate.

I shall respond as quickly as I can to the points made in the debate. I agree entirely with the hon. Member for Maldon and East Chelmsford (Mr. Whittingdale), the Chairman of the Select Committee on Culture, Media and Sport, that all the creative industries need to develop new business models. Everything that we have said about copyright protection will work only in part. The real way forward for all the creative sectors is to develop new business models. The music industry, although it came to the table late because it was hit first, is doing more work on new business models than others. I was at an interesting session with representatives of the BPI just before Christmas, at which they demonstrated to me not just the model that the hon. Gentleman talked about, but the way in which mobile phone technology will now be used. We can think of Radiohead and the way in which they have used technology.

The hon. Gentleman talked about live concerts. That is almost a new business model in its own right. The film industry has to do some catching up to the point that the music industry has reached. That is an important point.

I want to pick up on the hon. Gentleman's point about camcording in cinemas. In relation to his discussions with the film industry, I say to him that we need better evidence that a new offence would have the impact that it thinks it would have. As far as I can see from the evidence so far where that offence has been introduced, it has not made an enormous difference, so we have asked the industry for more evidence.

A number of hon. Members referred to copyright extension. I repeat what I have said in the main Chamber: we have an open mind. However, I hope that hon. Members will look at the evidence, because it was not an unthinking decision on the part of Gowers; he based it on the best evidence that he had. It was echoed—I have now found the reference—by the Hugenholtz report to the European Commission. Although Commissioner McCreevy seems to have had a change of heart, we certainly look forward to discussions with him. We need to get good research evidence, and the hon. Gentleman will know that the research that his Committee considered was questioned by some of those involved in the earlier research. Let us look at that research again in that context.

Mr. Whittingdale: Is the Minister saying that she will consider that question only on the basis of the economic impact, because in our view the argument goes way beyond the economic effect it will have?

Margaret Hodge: The impact that copyright extension would have on those who might benefit from it is enormously important. One of the points that Gowers made is that the contracts under which many of the musicians and performers exercise their copyright are such that they would not benefit from an extension. Considering the broad interpretation of economic impact, it is important that we consider that matter. I understood and heard the passion of the hon. Member for Perth and North Perthshire (Pete Wishart) on those issues, but we need to ask who the beneficiary would be—Disney or the individual performer? We must investigate that.

I congratulate my hon. Friend the Member for Norwich, North on being involved with such a range of organisations, particularly the all-party writers group. I have noted his comments on the Copyright Tribunal. I would like to take away my notes and puruse them. The issue is not at the top of my agenda, but he made some interesting comments. I take the point that although we measure success by patents, we do not do so with copyrights. That is because they have no legal status, and therefore it is difficult to measure them. However, an important and fundamental point has been made, and we need to address that across the Government. I hope that the Department for Innovation, Universities and Skills will be able to consider that as part of its innovation review. I applaud the work of the creative writers group, founded by Malcolm Bradbury, which has been incredibly successful as part of the university of East Anglia.

The hon. Member for Perth and North Perthshire talked about the huge UK success story. I completely and utterly endorse what he said. Our music industry is also successful. I accept the fragility not just of that industry, but of many of our industries. Many hon. Members mentioned the games industry, which is successful but quite promiscuous. The Canadians have introduced a tax relief that is having an impact here. Clearly, we do not want to have a ping-pong situation in relation to competitive tax relief because that will not lead to long-term stability and growth. Nevertheless, it is worrying that some Governments at federal or regional level feel that they can pursue such a strategy. We are taking that problem up with the World Trade Organisation. It reflects the fragility of another industry.

If the hon. Gentleman looks at the document, "Creative Britain—New Talents for the New Economy", there are two big references to rehearsal spaces. He will know that we have given Fergal Sharkey the task of spending £500,000 to set up some good music rehearsal spaces in various localities. I accept that we must have the respect of the artists and the performers. In the work that I have been doing on the creative economy programme, artists and performers are at the heart of our thinking and our consultation, and they very much inform what we do.

My hon. Friend the Member for Stoke-on-Trent, North (Joan Walley) managed to get me to visit her constituency and she has now got the Secretary of State to visit it. I congratulate her on her determination to represent her constituents in Parliament. The only thing I would say—I think I have said this to her before—is that in trying to secure the future of the ceramics industry for her constituents, it is important that she engages with the regional development agency, as it should take on board the potential and future of that industry.

Joan Walley: Indeed, we are engaging with the regional development agency, but the ceramics industry is relevant to this debate because small art potteries continue to be driven by design, use of colour and finely tuned hand skills. Their principal defences against counterfeiting are copyright and trademark. As well as having a bigger debate about industrialised production and manufacturing, it is essential that we look at the issue from the art point of view; hence my concern and interest in the debate.

Margaret Hodge: I accept my hon. Friend's point, but the RDAs also have to capture the importance of those factors because they relate to the added value that the creative industries often bring.

The hon. Member for Cities of London and Westminster (Mr. Field) made two important points. One was the importance of vocational courses. I endorse his remarks on that. I referred to the fact that we must work to ensure that the competences offered in courses and the content of courses reflect the needs of people in the industry. The individuals who take those courses, and now often pay for them, could then move straight into the world of work. We have not dropped the piece of work relating to that, as the hon. Member for Wantage suggested. The university of Brighton is taking forward a piece of work precisely to look at course content across the university sector and the conservatoires. That will ensure the relevance of that work. I was pleased to hear him endorse the importance of vocational courses, but they must be of the right quality.

Small and medium-sized enterprises were also mentioned. It would be wrong to have a Minister for the creative industries because businesses in that sector share many of the characteristics and problems generally experienced by industry. The fact that there is a concentration of SMEs means that we must get the whole framework right to support them across all sectors. When I did

[Margaret Hodge]

business support simplification in my previous job, we tried to drive out many of the specific funding programmes that we had for individual industries so that we could view them in a more general way. If something is simple, businesses will take advantage of it; if it is complex, they will not find their way through the maze.

It is right to have cross-Government working. I work incredibly closely with the Department for Business, Enterprise and Regulatory Reform and the Department for Innovation, Universities and Skills. I also work closely with colleagues in the Treasury, in local government and elsewhere. The way in which we are dealing with the issue is right. On the whole, our work on deregulation supports the SME sector. The additional capital allowances that businesses have for investment after the Budget are important. We want businesses not simply to start up, but to grow. The incentivisation is now taken away from the capital gains tax relief and put into capital investment, which is important.

The hon. Members for Bath (Mr. Foster) and for Wantage mentioned statistics not being precise enough. We are trying to address the problem with information. When we put together the Will Hutton report, there was a lot of discussion about the basis on which he made his observations. The data are not comparable. There is an issue with information; it is always an investment, and we are considering that matter.

I agree about video games. Far too often, they are attacked, but they account for more than 50 per cent. of gross value added in the creative industries. Video games are hugely important to us and are increasingly enjoyed by a wide range of people. For example, more women now play them and the average age of those who play is 28, which is much higher than I thought. It is not only Whittingdale Junior, but many adults—men and increasingly women—who are enjoying such games.

I take on board the points made by the hon. Member for Bath about extending intellectual property and "use it or lose it." I agree that there are some simple, basic realities, which is why we turned the document from a Green or White Paper into a strategy document. The document is full of real action. It can be attacked by saying that some of the action has been trailed before, but this is real action that will make a difference to the industry. We could have had another strategy document, but I think that Will Hutton did his job pretty well. It is now down to us to take his work forward and to ask what the Government will do to ensure that we provide the economic conditions to enable the industries to prosper. That is what we have done in the document. I am proud of it, but I consider it a stage in the journey.

The creative industries sector is fragile and operates in fast-changing circumstances—whether that involves the introduction of broadband, the convergence of technology or the competition from globalisation. We have to respond quickly and we can do so only in partnership. The partnership we have established is broadly welcomed by most people with whom I converse and we want to preserve it for the future by working across the Government in the interests of the creative sector.

It being half-past Five o'clock, the motion for the Adjournment of the sitting lapsed, without Question put.